Supreme Court, U.S.
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In The

Supreme Court of the United States

ALBERTO-CULVER COMPANY,

Petitioner,

v.

SUNSTAR, INC., AND
KANEDA, KOSAN, KABUSHIKI KAISHA,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Does Rule 51 of the Federal Rules of Civil Procedure preclude the Court of Appeals from overturning a jury verdict based upon an alleged failure to instruct the jury on an issue when the appellant neither proposed a jury instruction on the issue nor objected to the jury instructions actually propounded by the trial court?

2. Does the invited error doctrine preclude a party from appealing a verdict on the basis of an alleged improper jury instruction when the appellant explicitly encouraged the trial court to give the challenged instruction?

PARTIES TO THE PROCEEDINGS BELOW AND RULE 29.6 STATEMENT

The parties to the proceedings below included petitioner, Alberto-Culver Company, and respondents, Sunstar, Inc. and Kaneda, Kosan, Kabushiki Kaisha. Additionally, Bank One, National Association, as trustee, also appeared as a nominal party.*

Petitioner, Alberto-Culver Company, formerly a Delaware corporation, now known as Alberto-Culver LLC, a Delaware limited liability company, is a wholly-owned subsidiary of Alberto-Culver Company, a publicly traded, Delaware corporation.

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* Kaneda, Kosan, Kabushiki Kaisha is now known as Starlec, Inc. Bank One, National Association (formerly known as First National Bank of Chicago), is now known as JPMorgan Chase Bank, N.A.; it was misidentified as "Bank One Corporation" in Civil Action No. 01-C-0736.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner, Alberto-Culver Company ("Petitioner"), respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit in this case.

OPINION BELOW

The opinion of the United States Court of Appeals for the Seventh Circuit (App., pp. 1-22) is reported at 586 F.3d 487. The order denying Petitioner's petition for rehearing (*id.* at pp. 98-99) is unreported.

JURISDICTION

The United States Court of Appeals for the Seventh Circuit entered its judgment on October 28, 2009. That court denied Petitioner's timely petition for rehearing on December 14, 2009. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Federal Rule of Civil Procedure 51 is reproduced in its entirety in the appendix to this petition. App., p. 100. It provides, in pertinent part, that a "party may assign as error: (A) an error in an instruction actually given, if that party properly objected; or (B) a

failure to give an instruction, if that party properly requested it and – unless the court rejected the request in a definitive ruling on the record – also properly objected."

STATEMENT OF THE CASE

Although this civil action has a long procedural history and involves a complex trademark licensing arrangement, the issues raised in this petition concern elemental questions regarding the conduct of federal jury trials, the interpretation of Rule 51 governing a party's obligation to the trial court to raise issues regarding allegedly erroneous jury instructions, and whether federal appellate courts will apply the invited error doctrine to bar appeals based upon alleged errors that the appellant invited the trial court to make.

The central issue at trial related to the parties' intent in entering into a licensing arrangement that allowed respondents, Sunstar Inc. ("Sunstar") and Kaneda, Kosan, Kabushiki Kaisha (collectively "Respondents"), to market and sell products in Japan bearing certain VO5 trademarks. The license agreement contained a Japanese word, *senyo-shiyoken*, and the parties disputed the meaning and effect of that term on their respective contractual rights. Finding an ambiguity as to the meaning of the term in the agreement, the trial court held that the meaning that the parties ascribed to the term *senyo-shiyoken* was a

question of fact for the jury to decide and not a question of how Japanese law defined that term. For the next three years until the conclusion of trial, Respondents consistently opposed any effort by Petitioner to have the trial court interpret *senyo-shiyoken* as a matter of Japanese law, and in fact argued that this was a question of fact to be decided by the jury. Yet, after the jury returned a verdict in favor of Petitioner on all counts, Respondents appealed, challenging the trial court's decision not to instruct the jury on the meaning of *senyo-shiyoken* under Japanese law.

The Seventh Circuit excused Respondents' failure to tender their own jury instructions on the subject or to object to the jury instructions actually given, reversed the jury's finding regarding the parties' intent using a *de novo* standard of review, granted Respondents' appeal based upon alleged error that Respondents had invited, and reversed the trial court's ruling that the licensor trustee ("Trustee") acted reasonably when it determined that Respondents' use of a trademark that was not one of those specified in the license agreement breached the parties' agreement. In doing so, the Court of Appeals granted relief that exceeded even that sought by Respondents on appeal.

Formation of 1980 License Agreement

Petitioner, Alberto-Culver Company, is a manufacturer of personal care products. Petitioner sells its

hair care products throughout the world, including under its famous VO5 trademark. In 1966, Petitioner entered into a joint venture with Respondents to sell Petitioner's VO5 hair care products in Japan. The joint venture limited the conditions and manners in which Respondents could use the specific VO5 trademarks of Petitioner in Japan.

In 1978, frustrated by the joint venture's constraints, Respondents attempted to break up the joint venture by offering to buy Petitioner's Japanese VO5 trademarks so that Respondents could have "total freedom in terms of the use of the VO5 Marks in Japan" and to "further develop the VO5 marks in their own discretion." Supplemental Appendix to Briefs of Alberto-Culver and Bank One, N.A. ("JSA") 1125-28, 1137, 1155-56.

Petitioner, however, desired continued control over the VO5 trademarks, and refused to sell them outright to Respondents. As a result, the parties entered into a new, complex licensing arrangement in 1980 ("1980 Agreement"), under which 13 specific VO5 trademarks of Petitioner were assigned to the Trustee, who in turn granted Respondents an exclusive license to use the 13 VO5 trademarks to market and sell products in Japan. The 1980 Agreement, like the predecessor agreement, parenthetically referenced the license granted to Respondents as a *senyo-shiyoken* (literally translated "exclusive use right"):

> Sunstar shall be solely responsible, at its own cost and expense, for registering the

> exclusive license (Senyo-Shiyoken) under the License Agreement with the Patent Office in Japan.

Rule 30 Appendix to Brief of Sunstar, Inc. and Kaneda, Kosan, Kabushiki, Kaisha ("SA") 73 § 6.1. The 1980 Agreement restricted Respondents' ability to take any actions that could create a danger to the value or validity of the Trustee's ownership of the licensed trademarks:

> LICENSEE shall not at any time do, or cause to be done, any act or deed which will or may infringe, impair, or lessen the value or exclusive right, title and interest of LICENSOR in Licensed Trademarks, it being understood that all use of Licensed Trademarks by LICENSEE shall inure to the benefit of LICENSOR.

SA 118 § IV.

Finally, the 1980 Agreement provided that if Respondents engaged in any act that in Trustee's opinion "based upon reasonable ground" constituted a "danger to the value or validity" of the Trustee's ownership of the licensed trademarks, the Trustee was authorized to suspend Respondents' trademark license. SA 118 § V.

New Mark Authorizations And Disputes

The issue of Respondents' use of VO5 marks beyond the original 13 specifically licensed marks arose at various times. A dispute between the parties

in 1989 regarding Respondents' attempt to use a new VO5 trademark ("1989 Mark") was settled by amending the 1980 Agreement to include the 1989 Mark within the list of specifically licensed marks and Respondents paying Petitioner ten million dollars. Petitioner's Brief to the Seventh Circuit ("Pet. Br.") at 11-12. In 1996, at Respondents' request, Petitioner, without monetary consideration, authorized Respondents' use of another new VO5 mark ("1996 Mark"), conditioned upon the proposed new mark being materially modified as prescribed by Petitioner to include the name "Alberto." Respondents proceeded to use the authorized 1996 Mark with the prescribed modification. *Id.* at 13.

The dispute leading to this litigation arose in 1999 when Respondents informed Petitioner that they intended to adopt and use a new VO5 trademark ("1999 Mark"). *Id.* at 13-15. Petitioner repeatedly reminded Respondents that the new 1999 Mark was not licensed under the 1980 Agreement. Petitioner informed Respondents that it was "not willing to remove the restrictions under the license agreement," JSA 1264-65, 1297, 1299-1300, 1408-09, 1411, and explicitly told Respondents that they were not authorized to sell products bearing the 1999 Mark.

Nevertheless, despite these explicit and repeated warnings, Respondents proceeded to sell products under the 1999 Mark. Upon notice of Respondents' unauthorized actions, the Trustee threatened to suspend Respondents' trademark license unless they

stopped using the 1999 Mark, pointing out in a May 5, 1999 letter that the 1999 Mark:

> Is not included in the Licensed Trademarks (as defined in said License Agreement) and that your use of the new design will infringe, impair and lessen the value of the exclusive right, title and interest of Licensor in the License Trademarks and constitutes a danger to the value and validity of Licensor's ownership and title in the Licensed Trademarks.

SA 144.

Respondents ignored the Trustee's conclusions and warnings respecting Respondents' right to use the 1999 Mark. As promised in its May 5th letter, Trustee suspended Respondents' trademark license pursuant to the 1980 Agreement. JSA 1164-65. Respondents disregarded this suspension as well, and continued to use certain previously licensed marks, as well as the 1999 Mark, through the time of trial in this case in 2006. JSA 1218, 1228, 1412.

Litigation History

In 2001, both Respondents and Petitioner filed separate civil actions. Respondents' federal action alleged, *inter alia*, that the 1980 Agreement should be terminated or reformed in order to allow Respondents to use the 1999 Mark. Sunstar also sought a declaration that the use of the 1999 Mark did not breach such agreement. Petitioner's Illinois state action alleged, *inter alia*, that Respondents' use of the 1999

Mark breached the 1980 Agreement. Petitioner's action was removed and the cases were joined in federal court.

In April 2002, Respondents sought a determination of Japanese law respecting *senyo-shiyoken* as part of a motion for judgment on the pleadings, which motion the trial court denied as involving disputed issues of fact. *See* SA 232-33. From that time until the filing of their appeals, Respondents actively opposed repeated efforts by Petitioner (and Trustee) to obtain such a determination of Japanese law by the trial court. Subsequent to September 2003, not only did Respondents oppose Petitioner's efforts to obtain a determination of law, Respondents repeatedly insisted that no such trial court determination was permitted because the meaning of *senyo-shiyoken* under the 1980 Agreement was a question of fact vested in the jury.

Having failed to secure a determination of the Japanese law meaning of *senyo-shiyoken* in its 2002 summary judgment motion, Petitioner in 2003 again moved the trial court for such a determination. *See* JSA 753-55. Respondents opposed the motion, arguing that Petitioner's motion was premature and contesting Petitioner's interpretation of Japanese law. *See* JSA 784-802. Finding Federal Rule of Civil Procedure 44.1 to be inapplicable, the trial court declined to determine the meaning of *senyo-shiyoken* as a matter of Japanese law, explaining that "the pivotal question is not what Japanese law provides for, but rather what rights in the Licensed

Trademarks Alberto intended to convey to Sunstar by inclusion of the term *senyo-shiyoken* in the License Agreement." App., p. 74. As a result, the trial court held that the meaning of *senyo-shiyoken* was a question of fact better left for the jury to decide. *Id.*, pp. 74-75.

In February 2004, the parties filed their initial proposed jury instructions and objections. Petitioner requested the court to decide and instruct the jury as to the meaning of *senyo-shiyoken* as a matter of Japanese law. JSA 836. Respondents objected to Petitioner's request, arguing that Petitioner's proposed instruction regarding the legal meaning of *senyo-shiyoken* "improperly invades the province of the jury." JSA 837. Consistent with this objection, the proposed jury instruction offered by Respondents did not propose a legal interpretation of the Japanese term that Respondents wished the trial court to adopt. Instead, Respondents asked the court to expressly instruct the jury that the determination as to the meaning of *senyo-shiyoken* was a question of fact:

> [Y]ou must bear in mind that the critical issue is not what Japanese law is or was, but rather what the parties intended to express when they used this Japanese legal term in an otherwise English-language License Agreement that governed the use of trademarks in Japan. Your job in considering this expert testimony on Japanese trademark law is not to determine issues of Japanese law but to ascertain the meaning that was assigned to this Japanese legal term by the

> parties at the time they entered into their 1980 Agreements.

JSA 856.

In 2006, when the parties filed amended instructions and objections based upon prior motions *in limine* rulings, Respondents again opposed Petitioner's request for an instruction on the Japanese law meaning of *senyo-shiyoken*, and again proposed an instruction stating that the term's meaning was an issue for the jury to determine. JSA 996-1000, 1018-19.

As trial approached, Respondents continued to oppose a judicial interpretation of the meaning of *senyo-shiyoken*. JSA 1055 (noting, at pretrial conference, that counsel for Petitioner "is continually asking your Honor to rule as a matter of law what this term means," and Respondents, in turn, urging that "the issue in the case is not what Japanese law is but what the parties thought they were doing by putting the Japanese law term into the contract when they wrote it").

Early in the trial, Respondents reiterated their prior position that the meaning of *senyo-shiyoken* was a matter to be determined by the jury and not by the judge as a matter of Japanese law. JSA 1202-10.

After the parties concluded presenting evidence, the trial court issued the following instruction without objection by Respondents:

> The agreements set up a license for certain trademark in Japan. The parties dispute the intention of the parties with respect to the scope of the license rights granted to Sunstar under the contract.
>
> * * *
>
> In order to determine what the parties intended regarding the scope of the license, you should consider, along with any other relevant evidence, the evidence as to the conduct of the parties and the facts and circumstances surrounding the making of the contract. In construing what the parties intended regarding the scope of the license, you should examine and consider, along with any other relevant evidence, the history of the negotiations of the 1980 agreements. You should consider the negotiations and discussions that took place in connection with each stage of that history and consider prior and draft agreements between the parties which led up to the 1980 agreements.

JSA 1470, 1475.

During its deliberations, the jury sent a note to the court, "What exclusive rights does the *Senyo-Shiyoken* license give Sunstar? Please be explicit." App., p. 103. At this critical juncture, Respondents reaffirmed their position that the parties' understanding of the meaning of *senyo-shiyoken* was a fact issue to be decided by the jury. The jury's question prompted the following discussion, during which the trial court sought guidance from the parties on how to

respond to the jury's request for instruction on the meaning of *senyo-shiyoken*:

> THE COURT: I'm open to suggestions, gentlemen and lady.
>
> MR. BALBER [Respondents' Counsel]: I would suggest that the response is that, you know, that is among the issues for you to decide.
>
> . . . .
>
> MR. [BOSTJANCICH] [Trustee's Counsel]: Your Honor, we did have a jury instruction we proposed on that, of course, you know, what's your view of the case and what they can receive, and you didn't want to give them that. We had an instruction on what senyo-shiyoken rights are according to Japanese statutory law.
>
> MR. BALBER: Little late for that.

App., p. 104. The conference concluded with the trial court's acceptance of Respondents' proposal not to change or supplement the instructions that had been given. *See* App., p. 108.

After a thirteen day trial, the jury returned a verdict in favor of Petitioner, finding that Respondents breached the 1980 Agreement and that Sunstar was not entitled to declaratory relief. Accordingly, the trial court entered judgment in favor of Petitioner. App., p. 68.

Respondents' Appeal Ignores Waiver of Jury Instruction

Respondents not only waived any objection, but actively encouraged the trial court to leave to the jury's deliberation the parties' intent as to the meaning of *senyo-shiyoken* in the 1980 Agreement. Nonetheless, Respondents argued on appeal to the United States Court of Appeals for the Seventh Circuit that "the trial court should have construed senyo-shiyoken as a matter of law and instructed the jury as to its meaning." Respondents' Brief to the Seventh Circuit ("Resps. Br.") at 24.

Overlooking Respondents' repeated waiver of the argument and the unambiguous dictates of Federal Rule of Civil Procedure 51, the Seventh Circuit agreed and reversed the jury's determination as to the meaning of the term *senyo-shiyoken*. Departing from the practice of the court's sister circuits and from the unambiguous text of Rule 51, Judge Posner stated that Respondents had preserved their right to challenge the jury instructions concerning the meaning of *senyo-shiyoken* because the trial court "had made his position clear and Sunstar's lawyers' [sic] were not required to ask him to reconsider it." App., p. 9. The Seventh Circuit proceeded to reverse the jury's verdict, adopted Respondents' interpretation of *senyo-shiyoken*, and vacated the judgment entered in Petitioner's favor based upon the jury's verdict.

The court's opinion and remedy, in fact, exceeded even that requested by Respondents in their briefs to

the Seventh Circuit. While the Respondents requested a new trial to determine whether the Trustee acted reasonably in determining that Respondents had violated the terms of the 1980 Agreement when they used a trademark not specifically licensed under the 1980 Agreement, Resps. Br. at 40, 53, the Court of Appeals reversed the lower court's findings and held as a matter of law that the Trustee was unreasonable in so determining. The Seventh Circuit thus remanded the case back to the trial court, expressing "doubt that further trial proceedings are warranted," App., p. 21.

REASONS FOR GRANTING CERTIORARI

This petition raises two fundamental and complementary issues about the scope of federal appellate review. The first concerns the duty of litigants to the trial court, as dictated by Federal Rule of Civil Procedure 51, to tender proposed jury instructions and to advise the trial court about alleged errors in the instructions given as a pre-condition to appeal a jury verdict on the basis of improper jury instructions. The second is whether federal appellate courts will condone litigation gamesmanship by allowing a party to seek reversal on appeal of a trial court judgment based upon claimed error which that party invited the trial court to make.

The Seventh Circuit's approach below represents a radical departure from how courts have reviewed

appeals based upon claimed erroneous jury instructions. It eviscerates the plain text of Rule 51 and excuses a litigant both from propounding jury instructions in support of its position at trial and from objecting at trial to jury instructions that the party asserts as outcome-determinative error on appeal. The opinion also rules for an appellant on the basis of an alleged error in rulings that the appellant affirmatively encouraged the trial court to make. The result of allowing an appellant to argue on appeal, much less succeed, when it invited the error subverts the trial process, excuses litigants from the consequences of their litigation strategies, opens the door to unnecessary and unwarranted appeals, and results in the appellate court's misappropriation of what has always been the trial court's exclusive role.

The Seventh Circuit's approach will relieve losing parties from the consequences of their failed litigation tactics and encourage parties to adopt wholly new litigating positions on appeal if the jury verdict was unfavorable. By overlooking the plain text of Rule 51, as well as the purpose and effect of the invited error doctrine, the Seventh Circuit deprives trial courts of the opportunity to address claims of error before the jury deliberates, injects uncertainty and gamesmanship into the appellate process and widens conflicts among the circuits.

Not surprisingly, the Seventh Circuit's opinion is in conflict with other Courts of Appeals on both points.

A decision by this Court on these vital and commonplace federal procedural issues will have a salutary effect on the multitude of cases that are tried in the federal court system each year.

I. Disregarding The Plain Text Of Rule 51, The Seventh Circuit Exacerbated An Existing, And Created A New, Circuit Split

Federal Rule of Civil Procedure 51(d)(1) codifies the long-standing principle that in order to preserve an argument on appeal regarding a trial court's issuance of jury instructions, a party must first give the trial court the opportunity to consider the argument by raising a timely objection. As this Court has recognized, Rule 51's "uncompromising" requirement of preservation promotes "fairness and judicial efficiency," *Newport v. Fact Concerts*, 453 U.S. 247, 255 (1981), by putting the trial court on notice that it may be committing error, and gives the court the opportunity to correct that error before the case is sent to the jury.

A. Rule 51 Always Requires A Party To Raise An Objection To An Instruction "Actually Given"

Rule 51(d)(1) provides:

> A party may assign as error:
>
> (A) an error in an instruction actually given, if that party properly objected; or

> (B) a failure to give an instruction, if that party properly requested it **and** – unless the court rejected the request in a definitive ruling on the record – also properly objected.

FED. R. CIV. P. 51(d)(1) (emphasis added).

Section 51(d)(1)(A) never excuses a party, under any circumstances, from filing an objection to a trial court's instruction. In this regard, the Rule distinguishes between objections to an instruction "actually given" (subsection (d)(1)(A)) and the "failure to give an instruction" (subsection (d)(1)(B)). This distinction in subsection (d)(1) allows for differing treatment of the two types of jury instruction challenges.

Although subsection (d)(1)(B) provides an exception to the duty to object to the trial court's failure to give an instruction, if the party tendered such an instruction and the trial court rejected the request "in a definitive ruling on the record," subsection (d)(1)(A) contains no such exception to its mandatory objection requirement.

The Seventh Circuit's opinion ignored this difference between subsections (d)(1)(A) and (d)(1)(B). Although Petitioner pointed out on appeal that Respondents had neither tendered an instruction on the subject, nor objected to the trial court's instruction that it was the jury's responsibility to determine the parties' intent as to the meaning of *senyo-shiyoken*, the Court of Appeals dispensed with Rule 51's preservation requirements, without reference to

any authority whatsoever, stating that the trial court "had made his position clear and Sunstar's lawyers' [sic] were not required to ask him to reconsider it." App., p. 9.[1] While failure to object to the trial court's refusal to issue a requested instruction can be excused on such a basis under subsection (d)(1)(B) – albeit only *after* the desired jury instruction is first proposed and rejected by the trial court – the plain text of subsection (d)(1)(A) contains no similar safe harbor for the failure to object on the record to an instruction actually given.

Under the familiar canon of construction *expressio unius est exclusion alterius*, the insertion of the exception to a contemporaneous objection in Rule 51(d)(1)(B) indicates that the omission of any such exception in subsection (d)(1)(A) was deliberate and purposeful. The canon applies in full force to the Federal Rules of Civil Procedure, *see Leatherman v. Tarrant County Narcotics Intelligence and Coordination Unit*, 507 U.S. 163, 168 (1993) (applying *expressio unius* to Federal Rule of Civil Procedure 9(b)), and Rule 51 provides a quintessential scenario for the doctrine to be applied. As this Court has explained, the "canon depends on identifying a series of two or

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[1] The Court of Appeals cites no record reference as to when the district court made its position clear on this particular claim. In fact, the trial court repeatedly invited the parties to revisit the issue both before and during trial, but Respondent declined the trial court's invitation. JA 1049-50, 1054-55, 1201-1210.

more terms or things that should be understood to go hand in hand, which are abridged in circumstances supporting a sensible inference that the term left out must have been meant to be excluded." *Chevron U.S.A. Inc. v. Echazabal*, 536 U.S. 73, 81 (2002).

Both subsections (d)(1)(A) and (d)(1)(B) were added to Rule 51 as part of the Rule's 2003 amendments.[2] Cumulatively setting forth the standards to be met in order to preserve an error for appellate review, subsection (d)(1)(A) must be read in concert with subsection (d)(1)(B). That the futility exception was intentionally omitted from (d)(1)(A) is further underscored by subsection (c), which sets forth the method and timing by which an objection must be made and which – unlike subsection (d) – treats objections to instructions actually given or the failure to give instructions identically. *See* FED. R. CIV. P. 51(c)(1) ("A party who objects to *an instruction or the failure to give an instruction* must do so on the record, stating distinctly the matter objected to and the grounds for the objection") (emphasis added). In light of subsection (c)'s singular treatment for all jury instructions, subsection (d)'s distinction between objections to instructions actually given and objections to the

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[2] When Rule 51 was amended in 2003, the drafters confirmed that they were incorporating previous court doctrine regarding the preservation of claims of error. *See* FED. R. CIV. P. 51, advisory committee notes (2003) ("Rule 51 is revised to capture many of the interpretations that have emerged in practice.").

failure to issue a requested instruction compels the conclusion that the omission of a futility exception in subsection (d)(1)(A) was intentional. An appropriate application of *expression unius* counsels that this omission should not be ignored and the Seventh Circuit lacked the power to alter the requirements of Rule 51(d)(1)(A) as it did in its ruling.

B. A Conflict Among The Circuits Exists On This Issue, With The Second And Ninth Circuits Excusing The Requirement To Object To An Instruction Actually Given Based On Futility, While The First And Eighth Circuits Enforce The Rule

Although the Seventh Circuit below misread Rule 51(d)(1)(A) regarding the necessity to object on the record to an instruction that had been given, it is not the only court to do so. *See, e.g., Dorn v. Burlington N. Santa Fe R.R. Co.*, 397 F.3d 1183, 1189 (9th Cir. 2005) (excusing failure to file formal objection to jury instructions actually given because such objection "would have been superfluous and futile"); *Thornley v. Penton Publishing, Inc.*, 104 F.3d 26, 30 (2d Cir. 1997) (excusing failure to file formal objection to jury instruction actually given because party had presented its position previously and "a further exception after delivery of the charge would have been a mere formality"). These courts have read the futility exception contained only in the text of subsection

(d)(1)(B) into subsection (d)(1)(A) to excuse the failure to object to an instruction actually given.

Other Courts of Appeals, however, have rejected the futility exception's application to instructions actually given to a jury. In *Tillwick v. Sears, Roebuck & Co.*, 963 F.2d 1097, 1098 (8th Cir. 1992), the Eighth Circuit rejected a futility argument where the plaintiff's trial brief included seven pages arguing that contributory negligence was not a defense in the case, but the plaintiff had failed to object to the jury instructions presenting contributory negligence when given to the jury. Declining to accept the appellant's contention that such an objection would have been an "unnecessary formality" in light of the extended argument in the pretrial brief against giving a contributory negligence instruction, the court held that the appellant "did not properly preserve his objection." *Id.* at 1099. Likewise, three years later in *Starks v. Rent-A-Center*, 58 F.3d 358, 362 (8th Cir. 1995), the Eighth Circuit refused to excuse a party's failure to formally object to jury instructions despite the trial court's repeated requests to counsel to avoid repeating arguments already presented, reasoning that "in this circuit . . . concern that the trial judge would prefer no objection or the view that the objection would be futile does not relieve the parties from making an objection to preserve errors for review." *See also Ecolab., Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1370 (Fed. Cir. 2002) (observing that futility exception to failure to file formal objection was not applied in the Eighth Circuit).

The First Circuit has likewise refused to ignore the express mandates of Rule 51. In *Gray v. Genlyte Group, Inc.*, 289 F.3d 128 (1st Cir. 2002), the First Circuit held that the appellant had failed to preserve its objections to instructions charged to the jury where it had merely referred back "generically" to objections made before the charge. *Id.* at 134. Judge Boudin explained:

> This may seem harsh, but it accords with the language of Rule 51, which requires that the objection state "distinctly the matter objected to and the grounds for the objection," FED. R. CIV. P. 51, and we are in any event bound by a long line of precedents. Further, in many instances, the judge will not know just what it is in the instructions as given that has not satisfied counsel. It is easier to have a flat rule than try to decide case by case when the judge should have been warned more "distinctly" as to the concern, although there will always remain some gray-area cases posing hard questions.

Id. (internal citations omitted).

Judge Gertner, concurring in the subsequent denial of the petition for rehearing, wrote separately to note the First Circuit's interpretation of Rule 51 differed from its sister circuits. *Gray v. Genlyte Group, Inc.*, 306 F.3d 1151 (1st Cir. 2002) (Gertner, J., concurring in the denial of petition for rehearing). Noting that some other circuits had ruled that "objections do not have to be restated where, as here,

restating such objections after the charge would be a mere formality," Judge Gertner observed that the First Circuit had rigorously applied the written text of Rule 51. *Id.* at 1152. Rejecting the petitioner's attempt to broaden the application of prior First Circuit precedent to encompass the futility exception, Judge Gertner noted that "[w]hereas other courts will always look to the context to determine if the trial court was in fact aware of the grounds for the objections, and determine whether restatement was necessary, this court requires that specific words be spoken after the charge." *Id.* at 1153. *See also Flynn v. AK Peters, Ltd.*, 377 F.3d 13, 25 (1st Cir. 2004) (observing that the First Circuit's "interpretation of Rule 51 is quite strict" and holding appellant forfeited challenge to jury instruction when he failed to object when the instruction was given).

Wright and Miller have recognized the circuit split on the issue, observing that the more liberal application of the futility exception to Rule 51(d)(1)(A)'s preservation requirement "does not command universal judicial acceptance." 9C Charles Alan Wright & Arthur R. Miller, FEDERAL PRACTICE AND PROCEDURE § 2553 (3d ed. 2008) (counseling attorneys to "renew all objections to the instructions at the close of the trial judge's charge and make sure that the grounds therefore have been stated adequately to be sure that those points are preserved").

The Seventh Circuit's opinion exacerbated this circuit split by extending the application of the futility exception past the circumstances in which it has

been applied previously by the Circuit Courts, *see, e.g., Hangarter v. Provident Life and Acc. Ins. Co.*, 373 F.3d 998, 1012 n.10 (9th Cir. 2004) (excusing failure to file formal objection where party filed motion *in limine* objecting to admission of certain evidence), to apply in all circumstances where the trial court merely makes its "position clear" at some time in the case. App., p. 9. Such an approach excuses completely a party's obligation to submit an objection or any notice of its position with respect to a jury instruction, for Respondents filed none. The Seventh Circuit's analysis thus extends beyond the bounds of any Circuit's application of the futility exception.

C. The Seventh Circuit's Ruling On Rule 51(d)(1)(B) Creates A Conflict With The Second, Fourth, Fifth And Tenth Circuits

Although Respondents never proposed a jury instruction containing its Japanese law interpretation of *senyo-shiyoken*, Respondents nevertheless argued on appeal that the trial court failed to issue an instruction to the jury as to such meaning of the term. Resps. Br. at 24-29. The Seventh Circuit ignored the clear text of Rule 51 in excusing Respondents' waiver and created a radical departure from established procedures governing review of jury instructions.

In this regard, the Seventh Circuit stands alone and has created a split with decisions by the Second, Fourth, Fifth and Tenth Circuits.

Rule 51(d)(1)(B) allows a party to challenge the failure of a trial court to issue an instruction "if that party properly requested it **and** – unless the court rejected the request in a definitive ruling on the record – also properly objected." (Emphasis added). In sum, Rule 51 imposes two requirements before a party can appeal the trial court's refusal to issue an objection: (1) the appellant must have submitted a proposed instruction, and (2) the appellant must properly object following the jury charges. The Rule provides an exception only to the second requirement. The use of the conjunctive term "and" – rather than "or" – renders the exception applicable only to the failure to raise a proper post-charge objection and only where the trial court had previously considered and denied a party's proposed instruction "in a definitive ruling on the record." In contrast, the requirement to first submit a proposed instruction is absolute and cannot be excused to permit arguing on appeal that the lower court erred in failing to issue the sought-after instruction. This reading of Rule 51 accords with the long-recognized purpose of the Rule to "give trial courts the opportunity to amend erroneous jury instructions, thereby avoiding the need for further review and potential retrial," *Chestnut v. Hall*, 284 F.3d 816, 819 (7th Cir. 2002), for if no alternative instruction is proposed to the court, the

trial judge is denied the ability to consider and accept the party's proposal.

Nevertheless, the Seventh Circuit disregarded Respondents' Rule 51 obligation to offer a proposed jury instruction. Rejecting Petitioner's argument that "Sunstar forfeited any challenge to the judge's ruling by failing to ask him to instruct the jury on the legal meaning of *senyoshiyoken*," the Court of Appeals held that Respondents had preserved their objections because the trial court "had made his position clear and Sunstar's lawyers' [sic] were not required to ask him to reconsider it." App., p. 9.

The court's apparent reference was to a ruling by the trial court three years before trial, App., pp. 69-83, a ruling which Respondents never challenged even though the court repeatedly expressed willingness to revisit it in 2006. *See* JSA 1049-50, 1054-55, 1201-02, 1207-08, 1212-13; App., pp. 103-04; *see also* SA 280-81 (reversing key elements of 2003 ruling). In doing so, the court dispensed with the requirement to preserve a challenge to the trial court's failure to issue a jury instruction. No longer must a party offer a proposed jury instruction – as Respondents failed to do – before it argues on appeal that the trial court should have issued a particular instruction. Nor, under the Seventh Circuit's logic, does a party have to object to an instruction once the jury is charged. Instead, once the trial court merely "ma[kes] his position clear," at some earlier point in the case, neither competing instructions nor proper objections are necessary to preserve an instruction challenge on

appeal. The Seventh Circuit's lack of a citation to authority for support of this standard is unsurprising, as it finds none either in the text of Rule 51 or in case law.

The Seventh Circuit's approach in this case is at odds with precedent from four other circuits and its own prior precedent. *See Murphy Oil USA, Inc. v. Wood*, 438 F.3d 1008, 1014 (10th Cir. 2006) (citing Rule 51(d)(1)(B) and observing that in light of trial judge's decision to issue certain instructions, "it was incumbent on Murphy to object to the instructions as incomplete (lacking Murphy's affirmative defense of waiver) and to provide a waiver instruction"); *Jacques v. DiMarzio, Inc.*, 386 F.3d 192, 201 n.7 (2d Cir. 2004) (noting that under amended Rule 51(d)(1)(B), appellant's challenge to trial court's failure to issue instruction would have been waived "because a 'proper request' for an instruction was never made"); *Penn v. Harris*, 296 F.3d 573, 577 (7th Cir. 2002) (holding that appellant "waived the issue by failing to submit a proposed nominal damages instruction to the district court"); *Vakilian v. Shaw*, 302 F. App'x 350, 359 (6th Cir. 2008) (citing Rule 51(d)(1)(B) and holding that appellant waived challenge to trial judge's failure to issue instruction, noting that appellant "never requested a *McDonnell Douglas* burden-shifting instruction so cannot complain that one was not given"); *see also Engler v. Winfrey*, 201 F.3d 680, 689-90 (5th Cir. 2000) (holding appellant's challenge to trial judge's jury instruction waived on account that appellant "wholly failed to submit a specific alternate

instruction on the issue to the trial court"); *Klein v. Sears Roebuck & Co.*, 773 F.2d 1421, 1426 (4th Cir. 1985) (holding that failure to offer competing instruction "insulates the instruction from reversal unless the instructions given amounts to plain error").

Moreover, the Seventh Circuit's radical departure from the text of Rule 51 raises an issue of significant importance warranting the Court's attention. Whether a challenge to a jury instruction has been preserved is a recurring issue that is commonly raised in an appeal from a jury verdict. The resolution of that question determines the appellate court's standard of review, FED. R. CIV. P. 51(d)(2), which often controls the final outcome in an appeal. That is particularly so in the present circumstances, where the Seventh Circuit eschews the rigorous standard set forth in Rule 51(d)(2) – plain error review. As this Court has cautioned, appellate review under the plain error standard is "circumscribed," and the power to correct plain error is to be invoked only "sparingly," exercised only where the error "'seriously affects the fairness, integrity, or public reputation of judicial proceedings.'" *Jones v. United States*, 527 U.S. 373, 389 (1999) (quoting *United States v. Olano*, 507 U.S. 725, 732 (1993)). *See also* FED. R. CIV. P. 51, 2003 advisory committee notes (explaining that plain error is limited to "exceptional circumstances" and observing that Rule 51(d)(2)'s adoption of plain error standard for unpreserved challenges to jury instructions was "borrowed" from Federal Rule of Criminal Procedure 52 and this Court's interpretation of same).

If Rule 51's preservation requirement is ignored, and its plain error standard circumvented, potential appellants will be encouraged to file baseless appeals challenging the trial court's failure to give an instruction that the appellant, with the benefit of hindsight, later contends should have been given. Such a result will thwart the attempt by Rule 51's drafters to promote judicial economy by first giving the trial court an opportunity to consider all arguments regarding proposed jury instructions before a later appeal requires a second, preventable trial on the same issues.

II. Review Is Warranted Given The Seventh Circuit's Substantial Departure From The Practice Of Other Circuits Regarding Invited Error

Respondents not only failed to object to the trial court's decision to instruct the jury that the parties' understanding of *senyo-shiyoken* was a question of fact for the jury to decide, but actively encouraged that decision. *See supra*, at 8-12. As this Court, and numerous Circuit Courts have recognized, by opposing Petitioner's requests to have the trial court interpret the term *senyo-shiyoken* as a matter of law, and by specifically requesting the court to instruct the jury that the term's meaning was a question of fact for the jury to decide, Respondents should not have been heard to complain on appeal about its invited error. The Seventh Circuit's disregard of Respondents' invited error frees a party from the

consequences of its trial strategy, is contrary to every other circuit's treatment of invited error, and creates a circuit split warranting this Court's attention to this important issue.

A. Respondents Invited The Error It Challenged On Appeal

Beginning in 2003, Respondents made the tactical decision to oppose any efforts by Petitioner to have the trial court determine the meaning of *senyo-shiyoken* as a matter of Japanese law. When Petitioner filed a Motion for Determination of Japanese Law in January 2003, Respondents successfully opposed the motion. JSA 795-801. When Petitioner proposed jury instructions in 2004, JSA 836, and again on the eve of trial, JSA 997, requesting the trial court to decide the meaning of *senyo-shiyoken* and instruct the jury accordingly, Respondents opposed any determination of Japanese law, arguing that Petitioner's requested instruction "improperly invades the province of the jury . . . because . . . the parties' intent as to the meaning of the term *senyo-shiyoken* as used in the License Agreement is an issue to be determined by the jury at trial," *see* JSA 837, 843, 998, and instead proposed a charge whereby the jury was instructed that its "job in considering expert testimony on Japanese trademark law *is not* to determine issues of Japanese law but to ascertain the meaning that was assigned to this Japanese legal term by the parties at the time they entered into

their 1980 Agreements." *See* JSA 856-59, 1018-19 (emphasis added).

When Petitioner filed a motion *in limine* to exclude expert testimony about the Japanese legal meaning of *senyo-shiyoken*, Respondents opposed the motion, arguing that Rule 44.1 would not be violated by the jury's consideration of the term because "the jury is *not* being asked to take over the task of determining questions of foreign law. . . ." 736-Dkt. 210 at 6. At both the final pre-trial conference and early during the trial, Respondents continued to oppose any determination by the trial court of Japanese law or any jury instruction regarding it. *Supra* at 10.

And when the jury requested, during deliberations, an explicit explanation as to "[w]hat exclusive rights . . . the *Senyo-Shiyoken* license g[a]ve Sunstar," counsel for Respondents suggested "that the [proper] response [to the jury] is that, you know, that is among the issues for you to decide." App., p. 104. Having lost the jury verdict by pursuing this trial strategy, Respondents, in its appeal to the Seventh Circuit, abandoned its litigation tactic, arguing that the trial court had erred by adopting the very arguments Respondents had urged upon it. By embracing Respondents' about-face and reviewing the trial court's position on the determination of the meaning of *senyo-shiyoken*, the Seventh Circuit broke from the decisions of its sister circuits and allowed Respondents to challenge as alleged error that which it invited even in the midst of the jury's deliberations.

B. Invited Errors Are Not Reviewable

Under the invited error doctrine, "a party may not complain on appeal of errors that he himself invited or provoked the court . . . to commit." *Toth v. Grand Trunk R.R.*, 306 F.3d 335, 354 (6th Cir. 2002). This Court has long recognized that the doctrine forecloses appellate consideration where a party seeks to challenge a decision by the court below that resulted from the appellant's own tactical choices. *See Pfister v. Northern Illinois Fin. Corp.*, 317 U.S. 144, 154 (1942) (holding that farmer-debtor claimant could not be heard to complain on appeal to Supreme Court of the granting of a moratorium of three years running from the day of his adjudication in bankruptcy under Section 75 of the Bankruptcy Act, instead of from the date of the stay order, where the stay was in accordance with the claimant's motion for a stay); *Law v. United States*, 266 U.S. 494, 496 (1925) (holding that appellant United States could not complain of trial court's erroneous holding that it had jurisdiction concurrent with the court of claims, and could therefore sit without a jury, because holding was based on government's own motion). Moreover, it is well-established that a party may not raise an issue for the first time on appeal. *See, e.g., Hoover v. Ronwin*, 466 U.S. 558, 574 n.25 (1984). The Seventh Circuit's decision not only fails to preclude a party from pressing an issue on appeal not raised in the trial court, but permits it to argue a position directly contrary.

Lower appellate courts, too, have recognized that judicial review is inappropriate where the party challenging the lower court decision invited the supposed error. *See, e.g., Toth*, 306 F.3d at 354; *Starks v. Rent-A-Center*, 58 F.3d 358, 362 (8th Cir. 1995) (recognizing that it "is fundamental that where the party claiming error opened the door and invited error, there can be no reversible error") (internal quotations and alterations omitted); *United States v. Parikh*, 858 F.2d 688, 695 (11th Cir. 1988) (explaining that appellant "effectively caused the injury about which he now complains" and holding that "invited error constitutes neither plain nor reversible error"). Indeed, courts have been particularly vigorous in invoking the invited error doctrine to prevent parties from challenging on appeal jury instructions that they supported in the court below. *See United States v. Shaffer*, 472 F.3d 1219, 1227 (10th Cir. 2007); *2600 Woodley Road Joint Venture v. ITT Sheraton Corp.*, 369 F.3d 732, 744 (3d Cir. 2004) (holding invited error doctrine barred appellate review where appellant submitted a proposed jury instruction substantially identical to instruction challenged on appeal); *United States v. Baldwin*, 987 F.2d 1432, 1437 (9th Cir. 1993) (rejecting challenge that lower court erred by failing to instruct jury as to requirement of proof of an overt act, where appellant objected to government's exception to proposed instruction for lack of overt act requirement in proceedings below, and appellant stated that no overt act was required, and explaining that "[w]here the defendant himself proposes the jury instruction he later

challenges on appeal, we deny review under the invited error doctrine").

The Seventh Circuit's opinion is an undesirable precedent. Indeed, the comparison between *Shaffer* and the present case is particularly telling. In *Shaffer*, the defendant was charged under 18 U.S.C. § 2252A with distribution of child pornography. After the government submitted, and the trial court issued, jury instructions that contained a requisite *mens rea* (intent) higher than that set forth in the statute (knowledge), the jury asked the court for clarification on the instructions during deliberations. 472 F.3d at 1226. Counsel for the defendant requested the court to demur by referencing the jury to the instructions as a whole. *Id.* at 1227. The court obliged, and on appeal, the Tenth Circuit rejected the defendant's argument that the trial court improperly confused the jury by refusing to clarify the instructions, holding that there could be no error where the defendant himself asked the court to respond to the jury by telling it to look at the instructions as a whole. *Id.*

Here, when the trial court was faced with a similar request for clarification by the jury, Respondents – like the *Shaffer* defendant – asked the court to stand by its previous instructions. The Tenth Circuit in *Shaffer* held that the appellant was bound by its prior position and could not complain on appeal about the instructions charged; the Seventh Circuit here, conversely, overlooked Respondents' about-face and reversed the jury's verdict. The two opinions are irreconcilable and in direct conflict with each other.

C. Review Will Provide Much Needed Clarity For Appellate Courts And Practitioners As To The Need To Preserve Challenges And Maintain A Position On Appeal Consistent With That Taken At Trial

This case affords an opportunity to provide meaningful and much-needed guidance to lower courts on the scope of the "invited error" doctrine and to prevent the Seventh Circuit's decision from encouraging parties to disregard their positions advocated in the lower courts and thereby injecting unnecessary uncertainty into each decision by the trial courts. Prior to the Seventh Circuit's opinion, appellate courts appeared to recognize that a party's invited error precludes any judicial review of the charged error. *See, e.g., Dillon v. Nissan Motor Co.*, 986 F.2d 263, 269 (8th Cir. 1995) (observing that it "is fundamental that where the defendant opened the door and invited error, there can be no reversible error") (internal quotations omitted); *Wilkins v. Packerware Corp.*, 260 F. App'x 98, 105 n.3 (10th Cir. 2008) (holding that invited error "cannot be challenged on appeal"); *Tharo Sys., Inc. v. cab Produkttechnik GmbH & Co.*, 196 F. App'x 366, 373 (6th Cir. 2006) (holding that "invited-error doctrine bars cab's appellate challenge").

The Seventh Circuit's opinion, however, transforms the scope and effect of the invited error doctrine into one that permits the appellate court to reverse the trial court based upon an invited error.

The effects of such an approach are predictable. It will inject uncertainty into trial court rulings, will encourage further gamesmanship at trial, and will ultimately bog down the appellate courts as they are forced to contemplate arguments not preserved in the courts below. Review by this Court is warranted to clarify the scope of the invited error doctrine and the ability of parties to disregard prior tactical positions in order to suit their needs on appeal.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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In the
United States Court of Appeals
for the Seventh Circuit

Nos. 07-3288, 07-3289, 08-3835, 08-3836, 08-3931, 08-3936

SUNSTAR, INC.,

Plaintiff-Appellant,
Defendant-Appellant/Cross-Appellee,

v.

ALBERTO-CULVER COMPANY,

Defendant-Appellee,
Plaintiff-Appellee/Cross-Appellant,

and

BANK ONE CORPORATION,

Defendant-Appellee.

KANEDA, KOSAN, KABUSHIKI KAISHA,

Defendant-Appellant/Cross-Appellee.

Appeals from the United States District Court
for the Northern District of Illinois,
Eastern Division.
Nos. 01 C 736, 01 CV 5825 –
Ronald A. Guzmán, *Judge.*

ARGUED
SEPTEMBER 17, 2009 – DECIDED OCTOBER 28, 2009

Before POSNER, MANION, and EVANS, Circuit Judges.

POSNER, *Circuit Judge.* This is an immense, unwieldy, complex, multiparty commercial case, now in its ninth year and on its second district judge. The case has been protracted unduly and should probably have been resolved on summary judgment years ago.

The principal issues concern the interpretation of a trademark licensing agreement and Japanese trademark law. In 1980, Alberto-Culver, a major U.S. producer of hair-care and skin-care products (its home page, under hair-care brands, states that "Alberto VO5 – the company's flagship brand after 53 years remains a favorite of millions of women and men throughout the world, offering solutions from daily hair care to innovative styling products"), sold Japanese trademark registrations, covering 13 trademarks. The buyer was a Japanese manufacturer of such products named Sunstar (plus an affiliate, Kaneda, Kosan, Kabushiki Kaisha, that need not be discussed separately; we pass over other immaterial facts as well). Most of the trademarks are forms or variants of "VO5"; those that are not have no bearing on the litigation. The forms or variants, as presented in appendices to the license agreement, are as follows:

ALBERTO VO5

V O 5
ブイオーファイブ

ALBERTO VO5
アルバート ブイオー ファイブ

ALBERTO VO5

VO5

ブイオーファイブ
VO5



アルバート VO5 ナチュラルライン
ALBERTO VO5
ニューVO5

ALBERTO VO5	ALBERTO VO5
	
	
	

The agreement of sale provided that upon receiving the trademarks Sunstar would transfer them to Bank One Corporation to hold in trust for 99 years, to license their use during this period to Sunstar, and

at the end of the period to return them to Sunstar. If at any time while the trust was in force the trustee had a "reasonable ground" for thinking Sunstar had committed an act that created "a danger to the value or validity of LICENSOR's [i.e., Bank One's] ownership and title in Licensed Trademarks," Sunstar would have to stop using the endangered trademarks until the trustee "reasonably determined" that the danger had passed. In the event of an actual breach of the license by Sunstar, the trustee was to rescind the license and return the trademarks to Alberto-Culver.

The license agreement (the terms of which were negotiated by Sunstar and Alberto-Culver, Bank One's duties being limited to enforcement) calls the license granted Sunstar a *senyoshiyoken,* which in English means "exclusive-use right." The holder of a *senyoshiyoken* not only has an exclusive right to use the licensed trademarks within the geographical scope of the license (see next paragraph) but can sue infringers of the trademarks in its own name. The grantor of the license – in this case the trustee – cannot use the trademarks while the license is in force. Japanese Trademark Act, arts. 25, 30(2), 36(1), 38, 71(1)(iii).

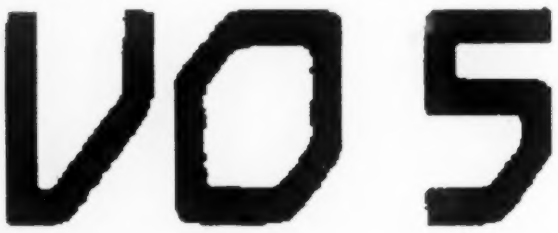
Sunstar, for its part, was forbidden by the agreement to export any products bearing the licensed trademarks to countries in which Alberto-Culver was selling products under any of the trademarks, had granted an exclusive license to a third party to sell such products, or had registered or applied to register

any of the trademarks licensed to Sunstar. Although the agreement forbids Sunstar to register (except for the purpose of defending the licensed trademarks) "any new trademarks containing the names Alberto, Alberto VO5 or VO5 or any of the names or marks set forth in [the appendices to the agreement]," Sunstar is not forbidden to use new trademarks in Japan.

All the products sold under the license are made by Sunstar; as far as the record shows, Alberto-Culver sells no hair-care products – maybe no products, period – in Japan. The agreement does not require Sunstar to pay royalties for using the licensed trademarks; the entire compensation to Alberto-Culver for the license consisted of lump-sum payments (totaling more than $10 million) by Sunstar made in 1980 when the license agreement was made.

The difference between obtaining a 99-year exclusive trademark license with no royalty obligation and buying trademarks outright is small. Sunstar had wanted to buy the trademarks outright but Alberto-Culver had balked because it wanted to restrict Sunstar's ability to use the trademarks in countries in which Alberto-Culver used or might want to use them (these restrictions take up more space in the license agreement than any other subject), and doubtless also because it wanted to be able to recapture and then relicense the use of the trademarks in Japan should Sunstar for some reason stop using them.

In 1989 Sunstar asked Alberto-Culver for permission to license this new variant of the VO5 trademark:



Alberto-Culver refused. Sunstar used the variant anyway, contending that it did not violate the license. But the trustee said it did. Negotiations between Alberto-Culver and Sunstar ensued, and ultimately Sunstar agreed to pay $10 million for the right to add the variant to the list of licensed trademarks and register it, and for some trade secrets.

Ten years later, Sunstar started using a further variant, consisting mainly of a different typeface for "VO5," but also adding a black background and a vertical bar (rather than a space) between the "O" and the "5":



Sunstar describes this as a "modernized" version of the licensed VO5 trademarks, which we assume means alluring to modern Japanese consumers.

Alberto-Culver refused to amend the agreement to permit Sunstar to use the modernized version, and, as before, the trustee commanded Sunstar to desist – which it refused to do, instead filing this suit in 2001 against both Alberto-Culver and Bank One. The suit, which invokes federal jurisdiction under 28 U.S.C. § 1332(a)(2) because it is between a foreign citizen (Sunstar) and two U.S. citizens (Alberto-Culver and Bank One), seeks a declaration that Sunstar's use of the mark is permitted by the license. Sunstar sought other relief as well, including damages from Bank One, but has abandoned the additional claims. Alberto-Culver, as a third-party beneficiary of the license agreement, filed a mirror-image suit against Sunstar, seeking damages and injunctive relief, including an order that the license be rescinded and the trademarks returned to Alberto-Culver. The suits were consolidated, and tried to a jury.

The agreement is in English and states that disputes arising under it are to be resolved in accordance with the law of Illinois. But we cannot look to Illinois law to define *senyoshiyoken,* a term the meaning of which is given by Japanese law. Illinois law will not tell us whether the holder of a *senyoshiyoken* can use variants of its licensed trademarks. Alberto-Culver has taken the position that the parties used the term merely to indicate that Sunstar could register the license with the Japanese trademark office, and not to confer on Sunstar the rights that a *senyoshiyoken* confers on the holder under Japanese law. The district judge agreed, and refused

to instruct the jury on the legal meaning of the Japanese term. Under Rule 44.1 of the civil rules, the judge decides the meaning of relevant foreign law and instructs the jury on that meaning, just as it would do in the case of issues of domestic law. The parties had submitted affidavits from experts on Japanese law concerning that meaning, but the judge, thinking the Japanese legal meaning irrelevant, did not try to determine it. Alberto-Culver argues that Sunstar forfeited any challenge to the judge's ruling by failing to ask him to instruct the jury on the legal meaning of *senyoshiyoken*. But he had made his position clear and Sunstar's lawyers' were not required to ask him to reconsider it.

In the course of its deliberations, the jury sent a note to the judge asking: "What exclusive rights does the Senyoshiyoken license give Sunstar PLEASE BE EXPLICIT!" The judge declined to answer, and the jury then returned a verdict for Alberto-Culver, except that it awarded no damages – for the excellent reason that there were none. The judge then enjoined Sunstar from using the variant mark – and also ordered the license agreement terminated because of Sunstar's breach and all the licensed trademarks therefore returned to Alberto-Culver. Alberto-Culver's cross-appeal is from the judge's refusal to grant a broader injunction; we shall not have to consider the merits of the cross-appeal.

We cannot find any basis for the proposition embraced by the district judge that the term *senyoshiyoken* bears a private meaning in the

contract. Only if Sunstar was the holder of a *senyoshiyoken* within the meaning that Japanese law assigns to that term, rather than in some idiosyncratic sense that the parties assigned to it (nor did they say they were doing that), was it authorized to register the license agreement, as Alberto-Culver concedes Sunstar was authorized to do, and to sue in its own name for infringement of the licensed trademarks, as Alberto-Culver also concedes that Sunstar was authorized to do. Japanese Trademark Act, arts. 36(1), 38(2); Kenneth L. Port, *Trademark and Unfair Competition Law and Policy in Japan* 94 (2007). Alberto-Culver does not argue that Sunstar's license is not a "real" *senyoshiyoken,* but only that such a license doesn't authorize Sunstar to use variants of the licensed trademarks, and that is a question of Japanese law.

When parties to a contract, especially sophisticated parties, use a technical term, there is a presumption that they are using it in its technical sense. *Reed v. Hobbs,* 3 Ill. 297 (1840); *Minges Creek, LLC v. Royal Ins. Co.,* 442 F.3d 953, 956 (6th Cir. 2006); *Mellon Bank, N.A. v. Aetna Business Credit, Inc.,* 619 F.2d 1001, 1013 (3d Cir. 1980); *Superior Business Assistance Corp. v. United States,* 461 F.2d 1036, 1039 (10th Cir. 1972); *Restatement (Second) of Contracts* § 202(3)(b) (1981). (That is American law – but remember the choice of law provision in the license agreement.) If the technical term happens to be a foreign term, the presumption is that it is used in its foreign technical sense. But if the technical term is a

foreign technical *legal* term, one might wonder what sense it bears if as in this case the contract provides that domestic law (Illinois law in this case) governs. The wonderment is superficial: the parties can't have meant that the meaning of *senyoshiyoken* would be decided under Illinois law, because the word has no meaning in that law. And as we said before, unless *senyoshiyoken* was used in its technical legal sense, Sunstar could not have registered the license agreement or enforced the licensed trademarks against infringers.

So we must decide whether the holder of a *senyoshiyoken* is permitted by Japanese law to use variants of the licensed trademarks. Rule 44.1 makes that a question of law. The rule permits foreign law to be proved by testimony or affidavits of experts, and that is the route followed in most cases. But it also permits judges to consult other sources of foreign law, such as articles, treatises, and judicial opinions.

Those are superior sources. When a court in one U.S. state applies the law of another state, or when a federal court applies state law, the court does not permit expert testimony on the meaning of the "foreign" law, even if it is the law of Louisiana, which is based to a significant degree on the French Civil Code. Yet if the law to be applied is the law of a foreign country, even if it is an English-speaking country the legal system of which derives from the same source as ours – England – our courts routinely admit testimony by lawyers on the meaning of the foreign law, *see, e.g., Schexnider v. McDermott Int'l,*

Inc., 868 F.2d 717, 719 n. 2 (5th Cir. 1989) (per curiam), and rely heavily on that testimony.

But the lawyers who testify to the meaning of foreign law, whether they are practitioners or professors, are paid for their testimony and selected on the basis of the convergence of their views with the litigating position of the client or their willingness to fall in with the views urged upon them by the client. Those are banes of expert testimony. When the testimony concerns a scientific or other technical issue, however, it may be unreasonable to expect a judge to resolve it without the aid of such testimony. But judges are experts on law, and there are published materials on foreign law, in the form of treatises, law review articles, and cases. Of course the most authoritative literature on the law of a foreign country is apt to be in a language other than English. But the parties can have the relevant portions translated into English; judges can handle translations, which figure prominently in a variety of cases tried in American courts, such as drug-trafficking and immigration cases. Relying on paid witnesses to spoon feed judges is justifiable only when the foreign law is the law of a country with such an obscure or poorly developed legal system that there are no secondary materials to which the judge could turn.

The parties presented evidence by expert witnesses concerning the meaning of *senyoshiyoken* in Japanese trademark law. But fortunately the experts cited to scholarly literature as well, which can help us

decide whether a *senyoshiyoken* allows its holder to vary a licensed trademark.

Issues of the scope of a trademark usually arise in suits for infringement. The trademark's owner tries to prove that the defendant's mark is confusingly similar to his own, and if he succeeds, this implies that the defendant's variant is within the trademark's scope – it's so like his trademark that no one else is entitled to use the variant in the same market. The issue in this case is not confusion; rather, it is whether the variant is so similar to the original that it should be deemed to have been included in the license to use the original.

In U.S. law, a change in a trademark's typeface is not considered a material alteration of the original trademark. *Drexel Enterprises, Inc. v. Richardson,* 312 F.2d 525, 527 (10th Cir. 1962); *Miyano Machinery USA, Inc. v. MiyanoHitec Machinery, Inc.,* 576 F. Supp. 2d 868, 882 (N.D. Ill. 2008). A related rule, called "tacking on," makes the use by a trademark's owner of a variant of his original trademark a defense to a claim that replacing the original with the variant constituted the abandonment (a better word would be forfeiture) of the trademark. So in *Sands, Taylor & Wood Co. v. Quaker Oats Co.,* 978 F.2d 947, 955 (7th Cir. 1992), the owner of the trademark THIRST-AID "First Aid for Your Thirst" had dropped "First Aid for Your Thirst" and this was held not to be an abandonment of the trademark. *See also Brookfield Communications, Inc. v. West Coast Entertainment Corp.,* 174 F.3d 1036, 1048 (9th Cir. 1999); *Dreyfus Fund, Inc. v.*

Royal Bank of Canada, 525 F. Supp. 1108, 1115 (S.D.N.Y. 1981); 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §§ 17:27, 17:28 (4th ed. 2009).

In a licensing case, "tacking on" becomes a guide to interpretation of the license. A licensee would be reluctant to agree to be prohibited from making modest changes in the appearance or wording of the trademark because it would prevent him from adjusting his marketing of the trademarked product to unpredictable fluctuations in consumer response. Suppose the dropped phrase in the THIRST-AID trademark had been "First Aid for His Thirst" at a time when the male pronoun was the default pronoun for a person of unspecified gender. As language conventions evolved, the licensee might think it essential, to change "First Aid for His Thirst" to "First Aid for Your Thirst." It would be senseless to consider this a violation of the parties' understanding unless the license had explicitly forbidden any changes.

That is American law and the issue in this case is Japanese law. But the Japanese rule is the same as the American. *See Tokutaro Morikawa v. Foundation Ritoru Waarudo,* 1350 Hanrei Jiho 137 (Tokyo High Ct. Feb. 20, 1990) (LITTLWORLD and LITTLE-WORLD), cited in Kenneth L. Port, *Japanese Trademark Jurisprudence* 98 n. 16 (1998); *Limoneira v. Pola Kasei Kogyo K.K.*, 23 Chiteki Saishu 163 (Tokyo High Ct. Feb. 28, 1991) ("the Trademark has a large figure with two lines of letters in smaller size below the figure: one line representing 'POLA' in Roman

letters and the other in *katakana* [a Japanese script], whereas the Mark has smaller figure with a large Roman letter representation of 'POLA' on its right and two *katakana* representations . . . placed slantly at the upper-left corner and lower-right corner of the paper strip more than 20 cm away from the said figure and Roman letter elements"); *Heiwado Boeki Kabushiki Kaisha v. Kabushiki Kaisaha Taihei,* 10 Mutai Saishu 193 (Tokyo Dist. Ct. May 12, 1988) (different typeface).

The longer the term of the license, moreover, the less plausible it is to assume, in the absence of express language, that the licensee was forbidden to make even minute changes. The license in this case, the *senyoshiyoken*, was to continue for 99 years. Over so long a period, changes in language, typefaces, marketing methods, and trademark style would be likely (we are tempted to say would be certain) to require varying the wording or appearance of the licensed mark in order to enable the trademarked product to be marketed effectively. The license may even have *required* Sunstar to make such changes, for remember that the licensee must do nothing that would create a "danger to the value or validity" of the licensed marks, and stubbornly clinging to a dowdy, old-fashioned, "unmodernized" original mark might create an acute danger.

This is especially likely because the right conferred by a *senyoshiyoken* is exclusive of the licensor as well as of potential other licensees. The licensee will be the only user of the trademark in the relevant

market and the only entity therefore with either a stake in or a feel for the needs of that market and thus the only entity motivated and able to preserve the value of the trademark by adjusting its appearance. The holder of a *senyoshiyoken,* standing in the shoes of the trademark owner, must have the same right that the owner would have (were there no *senyoshiyoken*) to make small changes. Indeed, the right of a 99-year exclusive licensee to make such changes is more needful than that of the once and far-future owner.

Article 50(1) of the Japanese Trademark Act provides for cancellation of a trademark registration if the registrant – or the holder of a *senyoshiyoken* – has, for more than three years, not been using the trademark. A registered trademark "includes a trademark consisting of the same letters having modified typefaces . . . [or] of figures having the appearances that can be regarded as the same, or a trademark that can be regarded as the same as the registered trademark in question in the common sense of the society: the same applies in subsequent provisions *of this Article.*" Alternatively, and more helpful to Alberto-Culver, a registered trademark "*for the purposes of this Article* . . . includes trademarks which are based on the registered mark but written in a different style than the registered trademark, trademarks with the same sound or meaning as the registered mark . . . , trademarks considered to have the same appearance as the registered trademark, and any other trademarks generally accepted by

society as identical to the registered mark." (We have cited both translations because there is no official English translation of Japanese laws.)

Alberto-Culver relies on the passages that we have italicized, especially the second one, which is the more authoritative since it appears in a scholarly book – and by one of Sunstar's expert witnesses! Port, *Japanese Trademark Jurisprudence, supra,* at 143. But whether the quoted provision is meant to exclude variants from the scope of a registered trademark for all purposes other than cancellation is unclear. Such an exclusion would make no sense, at least as applied to this case. Alberto-Culver is not seeking the cancellation of the trademarks. It is seeking to recapture them; and from Sunstar's standpoint it is all the same – if the use of a variant of a trademark does not warrant cancellation because the variant "can be regarded as the same as the registered trademark in question," why should it warrant the loss of trademark rights?

Moreover, one expects trademark cancellation to be easier in Japan than in the United States because Japan permits registration of trademarks without use, unlike the United States. Japanese Trademark Law, art. 18(1); Port, *Trademark and Unfair Competition Law and Policy in Japan, supra,* at 77-78; Masaya Suzuki, "The Trademark Registration System in Japan: A Firsthand Review and Exposition," 5 *Marquette Intellectual Property L. Rev.* 133, 139-43 (2001); Teruo Doi, *Intellectual Property Protection and Management: Law and Practice in Japan* 182-83

(1992). A pure registration system enables the "banking" of trademarks, which clogs the trademark registry with trademarks that may never be used. Paul J. Heald, "Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement," 29 *Vanderbilt J. Transnational L.* 635, 659 (1996). A requirement of continuous use is therefore more important to unblock the trademark arteries in Japan than in the United States. Even so, Japan does not permit a small variation to destroy trademark rights.

Alberto-Culver further argues, however, that Sunstar violated a provision of the license that requires it to "keep each of the [licensed] Trademarks in continuous use and in a manner and quantity sufficient to meet the statutory requirements as to use." The briefs do not say which of the 13 trademarks Sunstar failed to use continuously, but Sunstar concedes that there were some. Yet at the oral argument, Alberto-Culver's lawyer conceded in turn that the only consequence of such a failure would be the return to his client of *those* trademarks. To suggest that if Sunstar failed to use any one of the 13 trademarks (or rather 14, because of the 1989 amendment) continuously for 99 years the entire license would be canceled would be ridiculous. It would be especially ridiculous since Alberto-Culver had no financial stake in Sunstar's use of those trademarks, because it had no right to any royalties or other compensation based on that success; it therefore could not be hurt by the abandonment of some or for that matter all of the marks.

The parties presented a good deal of evidence concerning discussions of the license agreement over the course of the many years since it was first made. The discussions indicate that Sunstar may not have attached much significance to the designation of the license as a *senyoshiyoken* (though that is hard to believe, since without that designation it would not have the statutory rights that the status conveys and that Alberto-Culver *concedes* that Sunstar has, apparently without recognizing the significance of the concession), and that it acknowledged that its 1989 variant of VO5 violated the license agreement until amended to allow it. The evidence should not have been admitted. The license agreement grants Sunstar a *senyoshiyoken*. This is a Japanese legal term which, as we said, is to be given the meaning that it bears in Japanese law. That meaning, we have decided as a matter of law (because it is an issue of law), is that the holder of such a license is entitled to make minor changes in the trademark without being deemed to have exceeded the rights conferred on it by the license.

Alberto-Culver has one more arrow in its quiver. Remember that Sunstar continued to use the variant trademark after being told by the trustee that the use endangered the licensed trademarks. If that determination was based on a "reasonable ground," then Sunstar's continued use of the trademark, until the danger disappeared, was in violation of the agreement. The trustee's determination was unreasonable. (Whether it was in good faith, a question relevant

only to Sunstar's attempt to obtain damages from the trustee, is moot now that Sunstar has abandoned the attempt.) We cannot find anything in the record to suggest that Sunstar's use of the variant could reduce the value of the licensed trademarks. Remember that the danger must be to the value or validity of the licensor's, which is to say the trustee's – Bank One's – interest in the trademarks. That interest is confined to their use in Japan, or other countries in which Alberto-Culver has no presence, because it is only the Japanese registrations that were placed in the trust, and they can be used only in Japan or such countries, though people do sometimes move from Japan to another country and their decision whether to buy VO5 in that country might conceivably be influenced by the variant they had seen in Japan.

Even so, we suppose (a variant of the last point) that if Sunstar affixed "VO5" to an illegal product the trustee could cancel the license, on the theory that the outrage would be bound to be communicated to countries in which Alberto-Culver uses the trademark. And we suppose it could be argued that since Alberto-Culver might some day (before 2079, when the trademarks will be transferred to Sunstar) obtain the return of the trademarks because of some future breach of the license, it has an expectancy that would be destroyed if because of Sunstar's alterations of the trademark, it lost the goodwill that Japanese consumers had bestowed on it. But the challenged variant is too close to the original (that is to say, the

1989 variant licensed to Sunstar) to make any of these dangers more than chimeras.

It is true that the trustee was supposed to watch out for Alberto-Culver's interests in other countries; it is required to rescind the agreement if there is a breach, and sales by Sunstar of products bearing the licensed trademarks in forbidden countries would be a breach. But there is no suggestion of such a violation.

Apparently Sunstar has done better in Japan than Alberto-Culver expected, and, as in 1989, Alberto-Culver has tried to use a hypertechnical, but more important an unsound, interpretation of the licensing agreement to extort additional compensation.

We are tempted simply to order all the claims in this litigation dismissed with prejudice; that would restore the status quo that existed before the trustee complained about Sunstar's use of the variant VO5 trademark. But we'll resist the temptation. Sunstar has not requested such relief (just a new trial and a dismissal of the cross-appeal), and as a result the defendants have not had an opportunity to contest such a request. We doubt that further trial proceedings are warranted, but leave that decision to be made in the first instance by the district court.

The judgments (including the dismissal of the cross-appeal, as it is premature to determine what injunctive relief if any the defendants are entitled to)

are vacated and the case is remanded. 7th Cir. R. 36 shall apply on remand.

VACATED AND REMANDED.

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

SUNSTAR, INC, **Plaintiff,** **v.** **ALBERTO-CULVER COMPANY, INC. and BANK ONE CORPORATION f/k/a FIRST NATIONAL BANK OF CHICAGO,** **Defendants.**	**No. 01 C 736** **Judge Ronald A. Guzmán**
ALBERTO-CULVER COMPANY, a Delaware Corporation, **Plaintiff,** **v.** **SUNSTAR, INC., a Japanese Corporation, SUNSTAR GROUP COMPANY (f/k/a Alberto-Sunstar Co., Ltd.), a Japanese Corporation, KANEDA, KASAN, KABUSHIKI KAISHA, a Japanese Corporation, and BANK ONE, NATIONAL ASSOCIATION,**	**No. 01 C 5825** **Judge Ronald A. Guzmán**

as Trustee under Trust Agreement No. 22-81196, dated February 27, 1980, a National Banking Association,

Defendants.

JUDGMENT FOR INJUNCTIVE RELIEF

(Filed Jul. 17, 2008)

These related cases arose from a dispute between Sunstar, Inc. ("Sunstar"), Kaneda, Kasan, Kabushiki Kaisha ("Kaneda KKK"), Alberta-Culver Company ("Alberto-Culver"), and Bank One ("the Bank" or "Trustee") over Sunstar's use of a modified trademark ("1999 mark") in Japan. The cases were tried to a jury which, on December 15, 2006, returned a verdict against Sunstar on its claim for a declaratory judgment against Alberto-Culver and the Bank, and for Alberto-Culver on its breach of contract claim against Sunstar but awarded Alberto-Culver no damages, Thereafter, Sunstar filed motions for a new trial and for judgment as a matter of law, which the Court denied in a Memorandum Opinion and Order dated August 22, 2007. In that Order, the Court directed the parties to submit within fourteen days an agreed order for equitable relief or, if they could not agree, the order each party proposed.

For the next six months, the Court granted, on the parties' representation that they were working diligently and fruitfully toward agreement, extensions of time to submit that agreed order. At the end

of February 2008, however, the parties told the Court no such order would be forthcoming. Subsequently, they submitted briefs in support of their proposed orders.

Having reviewed those materials, and in accordance with the jury's verdict and the Court's August 22, 2007 Order, the Court Orders that:

1. The trademark licensing arrangement and trust created by the parties, or their predecessors-in-interest, under the terms of a set of interlocking agreements, including the "Basic Sale Agreement," the "Trust Agreement," "the License Agreement," and the amendments thereto (collectively, the "1980 Agreements"), for the trademarks identified in Exhibit A (collectively, the "Trust Marks") is terminated.

2. This Order does not excuse the payment of any professional fees owed to, or costs or expenses incurred by, the Trustee or its assigns, for trustee or related services performed in connection with the trust or its winding down.

3. Within ten days of the date of this Order, the Trustee shall execute and deliver to Alberto-Culver an assignment of all of its right, title and interest in and to each of the Trust Marks and related trademark registrations and applications. The Trustee shall, at Alberto-Culver's request, execute all documents necessary for Alberto-Culver to record that assignment in the Japanese Patent Office ("JPO") and to become the owner of record of all registrations and applications for the assigned marks, including

but not limited to documents terminating the Trademark Custodian appointed under the Trust Agreement and replacing him with Japanese counsel of Alberto-Culver's choosing.

4. Within ten days of the date of this Order, Sunstar and Kaneda KKK shall assign to Alberto-Culver any right, title, or interest that may survive, or they contend survives, the termination of the 1980 Agreements and Trust, in or to:

a. the Trust Marks;

b. the additional unregistered trademarks, identified in Exhibit B, that Alberto-Culver gave Sunstar permission to use under the terms of the 1980 Agreements (hereafter, collectively with the Trust Marks, "the Licensed Marks");

c. any other trademark comprised solely of the letters "VO" and the numeral "5", including the modified trademark that has been referred to during this litigation as the 1999 Mark and *Katakana* equivalents (collectively, "VO5 Marks"), as well as any trademark registration or applications therefor;

5. Sunstar and Kaneda KKK shall execute all documents necessary for Alberto-Culver to record the assignments described in this Order in the JPO and to become the owner of record of all registrations and applications for the assigned marks.

6. Within sixty days of the date of this Order, Sunstar and Kaneda KKK shall execute all documents

and take all other action necessary to terminate or cancel any JPO registration or other record of any license (*senyo-shiyoken* or otherwise), permission, right or claim they have to any Licensed Mark. Sunstar and Kaneda KKK also shall execute all documents and take all other action necessary to terminate Mr. Junji Masuda of Masuda & Ejiri (Asahi Koma Law Offices) of New York, New York, as Trademark Custodian under the 1980 Agreements, revoke any and all powers of attorney Mr. Masuda or his firm may hold with respect to any of the Licensed Marks, and allow Alberto-Culver to instruct Japanese counsel of its own choosing to act with respect to these matters.

7. Sunstar, Kaneda KKK and each of their respective officers, agents (including, but not limited to, the Trademark Custodian identified above), servants, employees, attorneys, and all others in active concert or participation with any of them are permanently enjoined from:

a. using, applying to register, or claiming any right, title or interest in or to the Licensed Marks identified in Exhibits A and B of this Order;

b. using, applying to register, or claiming any right, title or interest in or to any other trademark comprised solely of the letters "VO" and the numeral "5," including the modified trademark that has been referred to during this litigation as the 1999 Mark and *Katakana* equivalents (collectively, "V05 Marks");

c. taking any action preventing, challenging, impeding or otherwise interfering with: (I) the assignments of the Licensed Marks required by this Order; (ii) the termination of the trademark licensing arrangement and trust required by this Order; (iii) the termination of the registration or any other record in the JPO of any license (*senyo-shiyoken* or otherwise), permission, right or claim to the Licensed Marks by Sunstar or Kaneda KKK as required by this Order, except as expressly provided by the Federal Rules of Civil Procedure, the Federal Rules of Appellate Procedure and the Rules of the Supreme Court of the United States in connection with an appeal of this Order of the underlying judgment in a court of the United. States.

d. aiding, assisting or abetting any other person in committing any of the acts prohibited by subparagraphs a and b of this paragraph; and

e. taking, or assisting or aiding another party to take, any action that prevents, challenges, impedes or otherwise interferes with Alberto-Culver's use, registration or licensing of any right in or to any Licensed Mark or any other V05 Mark in Japan.

8. Within sixty days of the date of this Order, Sunstar and Kaneda KKK will, at Alberto-Culver's option, either (a) deliver to a party in Japan designated by Alberto-Culver for impoundment or destruction, or (b) destroy in Japan under the supervision of

a party designated by Alberto-Culver, all labels, signs, prints, packages, wrappers, receptacles, and advertisements bearing any of the licensed Marks or any other mark prohibited by the terms of this Order as well as all plates, molds, matrices and other means of making the same.

9. Within ninety days after the date of this Order, Sunstar and Kaneda KKK must file with the Clerk of this Court and serve on Alberto-Culver a written report, signed under oath, setting forth in detail the manner and form in which each has complied with the terms of this Order.

SO ORDERED.

ENTERED: 7/17/08

/s/ Ronald A. Guzman
HON. RONALD A. GUZMAN
United States District Judge

Exhibit A

TRUST MARKS

Registration	Mark
0652502	
0736736	
0786901	

Registration No.	Mark
866694	V O 5 ブイオーファイブ
1172228	VO5
1298920	ALBERTO VO5
1318055	

Registration No.	Mark
2088823	ALBERTO VO5
1835723	VO5
2208117	VO5
2284651	Alberto VO5

Registration No.	Mark
2284652	
0699506	ダイオーワイプ
0767884	miral
0767885	miral ミラール

Registration No.	Mark
0767886	ミラール
0767887	マイラール
0860608	GROOMER グルーマー

Registration No.	Mark
0866693	COMMAND
675643	COMMAND
1032252	

Registration No.	Mark
1195627	FINALGLOW
1420269	COMMAND
2141761	MIRAL PLUS

Registration No.	Mark
2235574	
2254909	
2348135	HOT OIL

Registration No.	Mark
2494937	CONSORT
2581626	VO5
2715732	VO5

Registration No.	Mark
2366024	
2561098	
2702379	

Registration No.	Mark
2702380	ホットオイル

EXHIBIT B

OTHER PERMITTED MARKS

MARK



United States District Court,
Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	Ronald A. Guzman	**Sitting Judge if Other than Assigned Judge**	
CASE NUMBER	01 C 736	**DATE**	10/6/2008
CASE TITLE	Sunstar, Inc. vs. Alberto-Culver Company, et al.		

DOCKET ENTRY TEXT

As set forth in this Order, Alberto-Culver's motion to amend/correct the Court's July 17, 2008 Judgment for Injunctive Relief [doc. no. 533] is granted in part and denied in part.

Docketing to mail notices.

Courtroom Deputy Initials:	LC/LM

Alberto-Culver's motion for reconsideration of the Court's July 17, 2008 Judgment for Injunctive Relief is granted in part and denied in part. The Court grants the motion with respect to Alberto's requests to clarify paragraphs 4c and 7b of the Judgment by

adding a depiction of the 1999 Mark, as shown below, and correct paragraph 7c by adding "or" to the last clause, as shown below. The Court denies Alberto's request to incorporate paragraphs 8d and 8e of its proposed order into the Judgment because doing so would expand the scope of the injunction beyond the issues litigated in this case.

As amended, judgment paragraph 4c states:

> any other trademark comprised solely of the letters "VO" and the numeral "5", including the modified trademark that has been referred to during this litigation as the 1999 Mark, depicted
>
> 
>
>
> below,
>
> and *Katakana* equivalents (collectively, "VO5 Marks"), as well as any trademark registration applications therefor,

paragraph 7b states:

> using, applying to register, or claiming any right, title or interest in or to any other trademark comprised solely of the letters "VO" and the numeral "5," including the modified trademark that has been referred to

during this litigation as the 1999 Mark, depicted below,



and *Katakana* equivalents (collectively, "VO5 Marks");

and paragraph 7c states:

taking any action preventing, challenging, impeding or otherwise interfering with: (i) the assignments of the Licensed Marks required by this Order; (ii) the termination of the trademark licensing arrangement and trust required by this Order; (iii) the termination of the registration or any other record in the JPO of any license (*senyo-shiyoken* or otherwise), permission, right or claim to the Licensed Marks by Sunstar or Kaneda KKK as required by this Order, except as expressly provided by the Federal Rules of Civil Procedure, the Federal Rules of Appellate Procedure and the Rules of the Supreme Court of the United States in connection with an appeal of this Order **or** of the underlying judgment in a court of the United States.

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

SUNSTAR, INC, **Plaintiff,** **v.** **ALBERTO-CULVER COMPANY, INC. and BANK ONE CORPORATION f/k/a FIRST NATIONAL BANK OF CHICAGO,** **Defendants.**	**No. 01 C 736** **Judge Ronald A. Guzman**
ALBERTO-CULVER COMPANY, a Delaware Corporation, **Plaintiff,** **v.** **SUNSTAR, INC., a Japanese Corporation, SUNSTAR GROUP COMPANY (f/k/a Alberto-Sunstar Co., Ltd.), a Japanese Corporation, KANEDA, KASAN, KABU-SHIKI KAISHA, a Japanese Corporation, and BANK ONE, NATIONAL ASSOCIATION, as Trustee under Trust Agreement No. 22-81196, dated February 27, 1980, a National Banking Association,** **Defendants.**	**No. 01 C 5825** **Judge Ronald A. Guzman**

MEMORANDUM OPINION AND ORDER

(Filed Aug. 22, 2007)

These related cases arise from a dispute between Sunstar, Kaneda, Kasan, Kabushiki Kaisha ("KKKK"), Alberto-Culver Company ("Alberto"), and Bank One ("the Bank") over Sunstar's use of a modified trademark ("1999 mark") in Japan. The case is before the Court on Sunstar's Federal Rule of Civil Procedure ("Rule") 59 motion for a new trial and Rule 50(b) motion for judgment as a matter of law and Alberto's motion for equitable relief. For the reasons set forth below, Sunstar's motions are denied and Alberto's motion is granted.

Sunstar's Rule 59 Motion

"A motion for a new trial should succeed only, if the verdict is against the manifest weight of the evidence." *ABM Marking, Inc. v. Zanasi Fratelli, S.R.L.*, 353 F.3d 541, 545 (7th Cir. 2003) (quotation omitted). Sunstar contends that it is entitled to a new trial because the jury's verdicts are inconsistent. In Sunstar's view, the jury's verdict in favor of Alberto on the breach of contract claim is irreconcilable with its award of zero damages to Alberto.

Alberto contends that Sunstar has waived this issue by failing to raise it before the jury was discharged, a position taken by a number of federal appellate courts. *See, e.g., Oja v. Howmedica, Inc.*, 111 F.3d 782, 790 (10th Cir. 1997) ("A party's failure to object to a general jury verdict on the ground of

inconsistency before the jury is discharged constitutes waiver. . . ."); *Jacobs Mfg. Co. v. Sam Brown Co.*, 19 F.3d 1259, 1266 (8th Cir. 1994) (same); *Lavoie v. Pac. Press & Shear Co.*, 975 F.2d 48, 54 (2d Cir. 1992) (same). The Seventh Circuit is not, however, one of those courts, having declined to decide whether a failure to object immediately to purportedly inconsistent general verdicts constitutes a waiver of that objection. *See Carter v. Moore*, 165 F.3d 1071, 1079-80 (7th Cir. 1998) ("While we remark in passing that the requirement of a contemporaneous objection to inconsistent general verdicts certainly serves the interests of finality and efficient use of scarce judicial resources . . . , we need not determine whether the failure to make such an objection constitutes a definitive waiver." (citation and footnote omitted)). We need not decide the waiver issue, however, because, as discussed below, the verdicts are not actually inconsistent.

As the jury was instructed, to prevail on its contract claim, Alberto had to prove, among other things, that it incurred damage as a result of Sunstar's breach. (*See* Jury Instructions at 21); *TAS Distrib. Co., Inc. v. Cummins Engine Co., Inc.*, No. 05-1371, ___ F.3d ___, 2007 WL 1704114, at *4 (7th Cir. June 14, 2007) (listing elements of contract claim under Illinois law). Alberto was not, however, required to show "the specific amount" of damages it suffered, just "that [it] did, in fact, suffer some damages." *TAS*, 2007 WL 1704114 at *4. If Sunstar established that "it [was] entitled to damages but

fail[ed] to prove the amount of those damages" it would still have been entitled to recover nominal damages." *Id.* at *5; *see Chronister Oil Co. v. Unocal Refining &Mktg.*, 34 F.3d 462, 466 (7th Cir. 1994) (affirming "judgment of the district court . . . insofar as it determined that Chronister broke its contract with Unocal," but reversing it "with respect to damages and remand[ing] with directions to enter judgment for Unocal for nominal damages . . . to which . . . every victim of a breach of contract . . . is entitled" (citation omitted)); *Hentze v. Unverfehrt*, 604 N.E.2d 536, 540 (Ill. App. Ct. 1992) (plaintiff was entitled to recover nominal damages when it proved that it had lost profits but failed to prove the amount of those profits); *Brewer v. Custom Builders Corp.*, 356 N.E.2d 565, 573 (Ill. App. Ct. 1976) ("If the party having the burden of proof establishes that he is entitled to damages, yet fails to establish a proper basis from which those damages can be computed, he is entitled to . . . nominal damages.").

Alberto Culver did not, however, seek nominal damages. Rather, the only form of damages it sought was a reasonable royalty, the award of which, the jury was instructed, depended on "the presence, absence [and] nature" of evidence about a variety of factors like royalty rates paid by other licensees. (*See* Jury Instructions at 39-40.)

Viewed in context, there is no tension between the jury's verdict for Alberto on the breach of contract claim and its refusal to award any damages. The jury was free to, and did, find that Alberto had been

damaged by Sunstar's breach but had not offered sufficient evidence to warrant a reasonable royalty award, the only measure of damages Alberto sought. Because the jury's findings are not inconsistent, they are not a basis for granting a new trial.

Sunstar also argues that a new trial is warranted because the Court abused its discretion when it excluded expert testimony about the meaning of senyo-shiyoken. The Court did so under Federal Rule of Evidence 403 because the slight probative value of such evidence was far outweighed by the possibility of confusion and delay. (*See* Trial Tr. at 411-14.) The fact that the Court struck the wrong balance, Sunstar says, is evidenced by the jurors' request that the Court tell them "[what] exclusive rights . . . the senyo-shiyoken license . . . give[s] Sunstar." (*Id.* at 1924.)

The Court disagrees. As they were instructed, it was the jurors' task to decide what rights the parties intended their agreement to give Sunstar with respect to Alberto's trademarks (*see* Jury Instructions at 22-35), and the lay witnesses testified about their understanding of that term. The actual meaning of senyo-shiyoken under Japanese law may have had some marginal relevance to the parties' intent. But any such relevance was greatly outweighed by the risk that the jury would decide that their job was to determine the meaning of senyo-shiyoken under Japanese law rather than what the parties' intended by using the term in the agreement. Moreover, admitting testimony on that subject would have created

a time-consuming battle of the experts on the topic that would have unnecessarily complicated and delayed the trial. In short, the Court's refusal to admit expert testimony on the meaning of senyo-shiyoken is not grounds for a new trial.

Sunstar's Rule 50(b) Motion

"Judgment as a matter of law is proper only if a reasonable person could not find that the evidence supports [the decision for Alberto] on each essential element of the case, viewing the evidence in the light most favorable to [Alberto]." *Mut. Serv. Cas. Ins. Co. v. Elizabeth State Rank*, 265 F.3d 601, 612 (7th Cir. 2001) (quotations omitted). Sunstar contends that the record contains insufficient evidence on the likelihood of confusion element of Alberto's breach-of-contract-by-infringement claim.

As an initial matter, the parties' agreement prohibits Sunstar not only from infringing Alberto's trademarks but also from taking any action that *may* infringe the marks. (*See* Jury Instructions at 22.) Thus, evidence that there was – rather than might be – a likelihood of confusion was not essential to Alberto's case.

Second, Sunstar's motion assumes that the jury's verdict was based solely on Professor Sato's survey, a survey that Sunstar says is fatally flawed because it does not address natural confusion. *See Reed-Union Corp. v. Turtle Wax, Inc.*, 77 F.3d 909, 912 (7th Cir. 1996) (stating that surveys must account for natural

confusion, *i.e.*, the level of confusion that would exist even without unfair competition).

Alberto offered the Sato survey to show that Japanese consumers were actually confused by Sunstar's use of the 1999 Mark. But Alberto was not required to prove actual confusion to prevail on its breach-by-infringement claim. *See Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 960 (7th Cir. 1992). It just had to prove that consumers were likely to be confused. *Id.* Moreover, viewed favorably to Alberto, the record contains ample evidence to support the jury's finding that there was a likelihood of consumer confusion, including that: the 1999 Mark is nearly identical to the licensed marks and is used on the same products (*compare* JX 1, Basic Sale Agreement, Apps. (listing licensed marks) *with* SSTX 24A-EE (photos and catalog pages of Sunstar products)); the VO5 mark has considerable strength in Japan (Trial Tr. at 1224 (testimony of Professor Sato that "VO5 brand is a well-known brand in Japan")); Sunstar's VO5 hair products are relatively inexpensive, suggesting that consumers do not exercise great care when buying them (*id.* at 442-44 (testimony of Mr. Makiyama that Sunstar's VO5 hair spray and shampoo cost less than $10.00)); Sunstar marketed products bearing the 1999 Mark in the same manner and in the same area as products bearing the licensed marks (*see* SSTX 75A-M); and Sunstar intended consumers to believe that products bearing the 1999 Mark were licensed VO5 products (*see* JX 6, Letter to Prendiville from H. Kaneda of 5/11/99 (stating that

the 1999 mark "creates the same commercial impression overall" as the licensed marks)). Because the evidence offered by Alberto is sufficient to support the jury's verdict even without the Sato survey, Sunstar's motion for judgment notwithstanding the verdict is denied.

Alberto's Motion for Equitable Relief

Alberto asks the Court to enter orders: (1) terminating the trust that holds the contested trademarks; (2) requiring the Trustee to assign all right, title and interest in and to the trademarks to Alberto; (3) requiring Sunstar and KKKK to take whatever action is necessary to cancel any records reflecting that they have permission to use Alberto's trademarks; and (4) enjoining Sunstar and KKKK from using Alberto's trademarks. The Court will address each request in turn.

Alberto contends that the trust must be terminated because the jury's verdict establishes that the trust's purposes can no longer be carried out. "It is one of the elemental principles of the law of trusts that a trust should be terminated when the accomplishment of its purpose becomes impossible." *Harris Trust & Sav. Bank v. Wanner*, 61 N.E.2d 860, 873 (Ill. App. Ct. 1945); *see* Restatement (Third) of Trusts, § 30 cmt. a ("If all of the purposes for which a private trust is created are or become impossible of accomplishment, the trust will be terminated."); 35 Illinois Law & Practice Trusts § 25 ("In a proper case, a

court, exercising its equity power, may terminate an express trust.").

The trust agreement in this case says that its purpose is "to secure the performance and observance of certain undertakings and covenants made by the parties" in the trust agreement, the basic sale agreement, the trademark assignments from Alberto to Sunstar and from Sunstar to the Bank, and the license agreement. (JX 2, Trust Agreement, Preamble at 1, 3; JX 1 Basic Sale Agreement, Preamble at 2 (stating that the trust agreement, trademark assignments, and license agreement are incorporated in it).) Among the covenants Sunstar made in those agreements was to: (1) "keep each of the [licensed marks] in continuous use"; (2) refrain from "do[ing] . . . any act . . . which will or may infringe, impair or lessen the value" of the trademarks, (3) stop using the licensed marks upon receiving a notice of suspension from the Trustee; and (4) refrain from exporting Sunstar's Alberto products outside of Japan. (JX 2, Trust Agreement ¶ 3; JX 1, Basic Sale Agreement § 7; JX 3, License Agreement §§ IV, V.) The fourth covenant was not at issue in this case. But by rendering a verdict in favor of Alberto on its contract claim, the jury necessarily found that Sunstar had failed to perform one or more of the first three obligations. (*See* Jury Instructions at 22.)

As Sunstar points out, the jury was not asked to identify specifically the nature of the breach or breaches it had committed. But by deciding for Alberto on Sunstar's declaratory judgment claim, the

jury had to have found that Sunstar breached its obligation to refrain from doing anything that "will or may infringe, impair or lessen the value" of the licensed marks. (*Id.* at 20 (instructing the jury that Sunstar had to prove that its "use in Japan of the 1999 VO5 Logo did not violate Section IV of the License Agreement" to prevail on its claim); JX 3, License Agreement § IV (stating that Sunstar "shall not at any time do . . . any act or deed which will or may infringe, impair or lessen the value" of the licensed marks).) It is not clear, however, whether the jury found that Sunstar also breached its obligations to keep the licensed marks in continuous use and/or to stop using the marks after receiving a suspension notice from the Trustee.

The lack of those findings does not, however, doom Alberto's requests for equitable relief. Equitable relief is imposed by the Court not the jury. *See Ohio-Sealy Mattress Mfg. Co. v. Sealy, Inc.*, 585 F.2d 821, 844 (7th Cir. 1978). Moreover, in deciding whether equitable relief is appropriate the Court can make its own factual findings as long as they are "not inconsistent with the jury verdict." *Id.*; *see Monroe v. United Air Lines, Inc.*, Nos. 79 C 360 & 79 C 1572, 1983 WL 432, at *1 (N.D. Ill. Jan. 12, 1983) (same).

The undisputed testimony of Sunstar's own witnesses establishes that Sunstar breached its obligation to stop using the marks after receiving a suspension notice from the Trustee. Mr. Makiyama testified that Sunstar received a suspension notice from the Bank on June 28, 1999 but continued to use

both the 1999 Mark and the licensed marks thereafter. (Trial Tr. at 503-05.) In fact, Mr. Makiyama said Sunstar did not think it was required to stop using the marks after "just receiv[ing] one letter saying that the license was suspended." (*Id.* at 524.)

Sunstar's witnesses also settled the continuous use issue. The certifications of use that Sunstar sent to the Bank were signed by Mr. Kaneda and forwarded to the Bank by Mr. Masuda. Each man testified that he did not know whether the certifications were accurate. (*See id.* at 217-226, 929-40, 945.) Mr. Makiyama, however, admitted that Sunstar's 1997 certification that it had made continuous use of the licensed trademarks was false. (*Id.* at 634-36.)

In short, the jury's verdicts and the undisputed testimony of Sunstar's witnesses establish that: (1) Sunstar's use of the 1999 Mark "will or may infringe, impair or lessen the value" of the licensed marks; (2) Sunstar failed to keep each of the licensed marks in continuous use; and (3) Sunstar continued to use the licensed marks even after it had received a suspension notice from the Trustee. In other words, the record establishes that Sunstar violated three of the principal covenants it made in the basic sale, trust and license agreements. Each of those breaches is material, warranting a termination of the license agreement. *See Jespersen v. Minn. Mining & Mfg. Co.*, 700 N.E.2d 1014, 1016 (Ill. 1998) ("[A]*ny* contract is terminable upon the occurrence of a material breach."); *Mayfair Constr. Co. v. Waveland Assocs. Phase I Ltd. P'ship*, 619 N.E.2d 144, 154 (Ill. App. Ct.

1993) (defining material breach "as a failure to do an important or substantial undertaking set forth in a contract").

Even if the license agreement is terminated, Sunstar says the trust should still be preserved because that agreement incorporates promises by both parties not to export their products into the other's territory. In Sunstar's view, those promises are still valuable and justify maintaining the trust. The export restrictions, however, prohibit Sunstar from exporting any "products bearing any of the [Licensed] Trademarks" out of Japan and Alberto from exporting such products into Japan. (JX 1, Basic Sale Agreement § 7.1-.2.) Once the license is terminated, there are no licensed trademarks and, therefore, no products bearing licensed trademarks to be exported.

Absent the license agreement, the purpose of the trust, to secure the parties' performance of the basic sale and license agreements (*see* JX 2, Trust Agreement, Preamble at 1, 3), is impossible to accomplish. Thus, the trust must be terminated as well. *See Harris Trust*, 61 N.E.2d at 873.

To effectuate the termination of the trust and license agreements, Alberto also asks the Court to order the Bank to assign all rights to the trademarks to Alberto and order Sunstar and K[illegible]KK to take the necessary action to cancel all records reflecting that they have permission to use Alberto's trademarks. Sunstar says there is no basis for the Court to enter such orders because Alberto has never made a claim

for transfer of the trademarks pursuant to section three of the trust agreement.

The Court disagrees for two reasons. First, Alberto is asking the Court to fashion an equitable remedy not to enforce a section of the trust agreement. Second, even if Alberto were invoking section three, the fact that it had not pleaded such a claim would not be fatal. Section three of the trust instructs the trustee to transfer to Alberto any licensed trademark that Sunstar fails to certify has been in continuous use. (JX 2, Trust Agreement ¶ 3.) Pleaded or not, that issue was tried, and the undisputed evidence was that Sunstar's 1997 certification was false and the 2000 certification was evasive. (*See* Trial Tr. at 223-26 & 634-36 (testimony of Messrs. Masuda and Makiyama, respectively, that contrary to its 1997 certification, Sunstar had not been continuously using the licensed marks, and Sunstar omitted the continuous use language from its 2000 certification).) Thus, in accordance with Rule 15, Alberto's failure to plead a section three claim would not bar it from seeking the transfer order, even if its request were grounded in that section. *See* Fed. R. Civ. P. 15(b) ("When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings.").

In short, the orders Alberto seeks, that the Bank assign the trademarks to Alberto and Sunstar and KKKK cancel all records that state they have permission to use Alberto's marks, are both supported

by the evidence and necessary to effectuate the jury's verdicts. Alberto's requests are, therefore, granted.

Alberto's last request is for an order permanently enjoining Sunstar and KKKK from using its trademarks. The parties' first disagreement is over the law that governs Alberto's request. Alberto contends that Illinois law applies, while Sunstar says the controlling law is federal. It is not an issue the Court must decide, however, because Alberto meets the requirements under both state and federal law.

To be entitled to a permanent injunction under Illinois law, Alberto must establish that it has a clearly ascertainable right, an inadequate remedy at law, and will suffer irreparable harm if the injunction does not issue. *R.L. Polk & Co. v. Ryan*, 694 N.E.2d 1027, 1034 (Ill. App. Ct. 1998). Federal law requires Alberto to show that it succeeded on the merits of the case, it does not have an adequate remedy at law or will suffer irreparable harm if the injunction does not issue, the injury Alberto will suffer if an injunction is not issued outweighs the harm an injunction will inflict on Sunstar, and the injunction will not harm the public interest. *Cook Inc. v. Boston Sci. Corp.*, No. 01 C 9479, 2002 WL 31236289, at *2 (N.D. Ill. Oct. 1, 2002), *aff'd with modification*, 333 F.3d 737 (7th Cir. 2003).

As discussed above, Alberto prevailed in this suit and is entitled to have the trademarks returned to it.

Thus, it has an ascertainable right to the licensed marks.[1] Moreover, Sunstar's unauthorized use of the 1999 Mark caused Alberto to suffer irreparable harm for which there is no adequate legal remedy, according to both trademark law and the parties' agreements. *See AM Gen. Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796, 832 (7th Cir. 2002) ("[I]rreparable harm is presumed whenever a trademark is infringed and diluted."); (JX 1, Basic Sale Agreement § 10.4 ("The parties recognize and agree that their respective covenants and undertakings in this Agreement and the agreements being executed simultaneously herewith are of a special and unique character and that a breach will result in irreparable injury for which there is no adequate remedy at law. . . .")). The injury Alberto will suffer if the injunction does not issue, *i.e.*, Sunstar's continued infringement of Alberto's marks, far outweighs the self-inflicted injury Sunstar will suffer if the injunction is issued. *See Ideal Indus., Inc. v. Gardner Bender, Inc.*, 612 F.2d 1018, 1026 (7th Cir. 1979) (holding that the balance of harms favored plaintiff, the holder of trademarks for identifying

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[1] Despite Alberto's victory on both its and Sunstar's claims, Sunstar says it has no right to an injunction because the jury did not specifically find that its use of the 1999 Mark was outside the scope of the license. As noted above, however, there is an abundance of evidence that the 1999 Mark infringed the license marks. And, even if it did not, the record unequivocally supports the finding that Sunstar infringed by using the 1999 Mark after the trustee suspended the license. Thus, whether the 1999 Mark was within or outside the scope of the license is not dispositive.

electrical connectors, because defendant purposely used the same marks to designate its electrical connectors and, "[h]aving adopted its course, . . . [could] not . . . complain that having to mend its ways [would] be too expensive"); *McNeil-PPC, Inc. v. Merisant Co.*, No. 04-1090 (JAG), 2004 WL 3316380, at *26 (D.P.R. July 29, 2004) (noting that "courts generally place little weight on injuries that parties bring upon themselves through blatant misconduct"). The public interest will also be served by an injunction because protecting Alberto's trademarks will prevent consumer confusion. *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000).

Even if some injunction is entered, Sunstar argues that it should not be enjoined from using the global logo because the record establishes that the global logo was the subject of a separate license agreement memorialized in a 1993 letter.[2] In relevant part, that letter states:

> In our meeting in Vancouver, I mentioned to you that Alberto-Culver had recently undertaken an important exercise to modernize and vitalize our VO5 trademark logotype. This exercise has now been completed and we

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[2] Sunstar does not argue that the 1993 letter constitutes a modification of the license agreement. But, even if it had, that argument would have been unpersuasive as the agreement explicitly states that it "cannot be modified, changed or discharged in any manner except by a written instrument duly executed by the parties with the same formality as this Agreement. . . ." (JX 3, License Agreement § XII.)

> have issued a Guidelines and Specifications Manual to all of our Units worldwide, of which I attach a copy.
>
> . . . .
>
> Mr. Lavin and I wish to make it clear that Sunstar is free to choose whether you wish to adopt the same modification to your own use of the "old style" VO5 logotype for your packs in Japan. We feel that on balance it would be beneficial for you to do so, so that the advantage or being associated with a major worldwide logotype is maintained.
>
> We would appreciate hearing from you in due course of the policy you plan to adopt in this respect.

(PX 10, Letter to Ogura from Lloyd of 7/20/93.) This letter, which does not discuss consideration, limitations on use, duration, orally other terms common to license agreements, does not appear to be an offer by Alberto to license the global logo to Sunstar. Rather, it appears to be Alberto's written permission for Sunstar to use the global logo, as contemplated by the basic sale agreement. (*See* JX 1, Basic Sale Agreement § 9.3 (prohibiting Sunstar from using or registering "any new trademarks containing the names Alberto, Alberto VO5 or VO5 or any of the [licensed marks], or any variation of [them], . . . except with the written consent of Alberto").)

Moreover, even if the letter were an offer to enter into a license agreement, the record establishes that it either lapsed or was rejected. Mr. Makiyama

testified that Sunstar did not use the global logo until 1997. (Trial Tr. at 422-24.) Thus, Alberto's offer either lapsed between 1993 and 1997 or Sunstar implicitly rejected it during that period by refusing to use the global logo. *See* Restatement (Second) of Contracts § 41 ("An offeree's power of acceptance is terminated at the time specified in the offer, or, if no time is specified, at the end of a reasonable time."); *id.* § 38 ("A manifestation of intention not to accept an offer is a rejection unless the offeree manifests an intention to take it under further advisement."). In either case, even if the July 1993 letter constituted an offer, it was not one Sunstar accepted.

Sunstar also argues that injunctive relief is inappropriate because there is no evidence to suggest that Sunstar will infringe Alberto's marks in the future. Again, the Court disagrees. "[P]ast wrongs are evidence bearing on whether there is a real and immediate threat of repeated injury," *O'Shea v. Littleton*, 414 U.S. 488, 496 (1974), and this record is replete with evidence of Sunstar's past wrongs. (*See, e.g.*, Trial Tr. at 391, 470-71, 494-99, 628-30, 634-36 (testimony of Mr. Makiyama that Sunstar: (1) used a mark in 1989 that was outside the scope of the license and received a suspension notice from the Bank as a result; (2) was told by both Alberto and the Bank not to use the 1999 Mark, but did so anyway; (2) [sic] ignored the suspension notice it received from the Bank in 1999; and (3) falsely certified that it had continuously used the licensed marks); *id.* at 244-45 (testimony of Mr. Masuda that Sunstar did not pay

any attention to the license agreement); JX 6, Letter to Prendiville from H. Kaneda of 5/11/99 (admitting that the 1999 mark "creates the same commercial impression overall" as the licensed marks)). Sunstar's demonstrated disdain for others' trademark rights, coupled with Mr. Makiyama's testimony that VO5 is Sunstar's primary brand of hair care products and accounts for annual sales of between 3 and 6 billion yen annually (Trial Tr. at 379, 610-12), demonstrates a real threat of future harm sufficient to justify injunctive relief.

Next, Sunstar argues that there is no basis for enjoining it from using marks that may dilute the licensed marks because the parties' agreement does not prohibit dilution. The agreement does not use the word dilution, but it prohibits Sunstar from taking any action that "will or may . . . impair or lessen the value" of the licensed trademarks (JX 3, License Agreement § IV), the essence of dilution. *See Eli Lilly & Co.*, 233 F.3d at 466 (stating that dilution is "the erosion of the distinctiveness and prestige of a trademark caused by a proliferation of borrowings, that while not degrading the original seller's mark, are so numerous as to deprive the mark of its distinctiveness and hence impact." (quotation and alteration omitted)).

Finally, Sunstar argues that Alberto's request for injunctive relief is barred by laches. Laches is an affirmative defense, *see* Fed. R. Civ. P. 8(c), that Sunstar never pleaded or proved. (*See* Sunstar's Answer Second Am. Comps.) Any laches defense is, therefore,

waived. *See Tornello v. Deligiannis Bros.*, 180 F.2d 553, 556 (7th Cir. 1950) (stating that laches "is an affirmative defense [that] must be pleaded . . . [or] is waived" (citations omitted)).

Conclusion

For the reasons set forth above, Sunstar's Rule 50(b) motion for judgment as a matter of law and Rule 59 motion for a new trial [doc. nos. 419 & 421] are denied, and Alberto's motion for equitable relief [doc. no. 423] is granted. The parties are ordered to submit an agreed order for equitable relief within fourteen days of the date of this Memorandum Opinion and Order. If, after concerted, good faith efforts, the parties are unable to agree, each party must submit the language it proposes within the same period.

SO ORDERED. **ENTERED:** Aug. 22 2007

/s/ Ronald A. Guzman
RONALD A. GUZMAN
United States District Judge

**United States District Court,
Northern District of Illinois**

Name of Assigned Judge or Magistrate Judge	Ronald A. Guzman	**Sitting Judge if Other than Assigned Judge**	
CASE NUMBER	01 C 736 Related 01 C 5825	**DATE**	7/17/2008
CASE TITLE	SUNSTAR, INC. Vs. ALBERTO-CULVER COMPANY, et al.		

DOCKET ENTRY TEXT

Enter judgment for injunctive relief.

■[For further detail see separate order(s).]

Docketing to mail notices.

Courtroom Deputy Initials:	CG

United States District Court
Northern District of Illinois
Eastern Division

SUNSTAR INC

v.

ALBERTO-CULVER CO et al

JUDGMENT IN A CIVIL CASE

(Filed Aug. 22, 2007)

Case Number: 01 C 5825

■ Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury rendered its verdict.

☐ Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS HEREBY ORDERED AND ADJUDGED that judgment is entered in favor of defendants Alberto-Culver Co. et al and against plaintiff Sunstar Inc. on Sunstar's claim for a declaratory judgment, in favor of defendant Alberto-Culver and against plaintiff Sunstar Inc. for breach of contract, and no damages are awarded to defendant on its breach of contract claim against plaintiff Sunstar Inc.

Michael W. Dobbins,
Clerk of Court

Date: 8/22/2007 /s/ J. Smith

/s/ J. Smith, Deputy Clerk

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

SUNSTAR, INC., Plaintiff, v. ALBERTO-CULVER COMPANY, INC. and BANK ONE CORPORATION f/k/a FIRST NATIONAL BANK OF CHICAGO, Defendants.	Civil Action No. 01 C 0736 Judge Guzman

-and-

ALBERTO-CULVER COMPANY, a Delaware Corporation, Plaintiff, v. SUNSTAR, INC., a Japanese corporation, SUNSTAR GROUP COMPANY (f/k/a Alberto-Sunstar co., Ltd.), a Japanese corporation, KANEDA, KASAN, KABUSHIKI KAISHA, a Japanese corporation, and BANK ONE, NATIONAL ASSOCIATION, as Trustee under Trust Agreement No. 22-81196, dated February 27, 1980, a national banking association, Defendants.	Civil Action No. 01 C 5825 Judge Guzman

MEMORANDUM OPINION AND ORDER

(Filed Sep. 29, 2003)

This matter is before the Court on Alberto-Culver Company's ("Alberto") and Bank One, National Association's ("Bank One") Motion for Determination of Japanese Law and Motion for Determination of Responsive Expert Report Dates and Exclusion of Law Expert Testimony from Trial. For the following reasons, the Court denies Movants' Motion for Determination of Japanese Law and grants in part and denies in part Movants' Motion for Determination of Responsive Expert Report Dates and Exclusion of Law Expert Testimony from Trial.

BACKGROUND

In February 1980, Sunstar, Inc. ("Sunstar"), Alberto, and Bank One entered into various agreements regarding the sale of Japanese VO5 trademarks (the "1980 Agreements"). Specifically, Alberto sold and assigned certain Japanese VO5 trademark registrations (the "Licensed Trademarks") to Sunstar, to be held in trust by Bank One as Trustee for Sunstar's benefit for 99 years. Concurrently, the Trustee granted Sunstar a 99-year exclusive Japanese trademark license for the Licensed Trademarks in Japan (the "License Agreement"). After the 99-year term of the license was over, Sunstar would assume full legal title to the Licensed Trademarks. In 1999, however, a dispute developed between the parties regarding whether a particular

mark that Sunstar was using in Japan, which mark was not identified in the 1980 Agreements (the "1999 Mark"), was or was not within the scope of Sunstar's rights under the License Agreement. That dispute gives rise to the instant litigation.

Alberto and Bank One contend that the License Agreement granted Sunstar the right to use only the specifically Licensed Trademarks identified in the License Agreement. Sunstar does not dispute that the 1999 Mark is not one of those Licensed Trademarks. Instead, Sunstar argues that the scope of the rights granted by the License Agreement is broadened by Japanese trademark law to include marks that neither were listed in the License Agreement nor even existed at the time the parties entered into the 1980 Agreements.

It is undisputed that, under Illinois law, the plain English language of the License Agreement, leaving out the term *sensi-shiyoken* means that Sunstar can use only the trademarks specified in the license. But, it is not the plain English language of the contact [sic] that causes the parties' disagreement. It is the inclusion of one Japanese term – *senyo-shiyoken* – as a parenthetical in the License Agreement that has spurred years of contentious debate between the parties. The term *senyo-shiyoken* appears only once in the License Agreement as follows:

> LICENSOR agrees to cause said exclusive license (*Senyo-Shiyoken*) to be registered at

> the Japanese Patent Office at the cost and expense of LICENSEE.

(License Agmt., para. I, at 2.)[3]

It is undisputed that *senyo-shiyoken* is the Japanese term for an exclusive license registered with the Japanese Patent Office ("JPO"). The parties disagree, however, as to what rights are inherent to such registration. Alberto and Bank One claim that any rights in the Licensed Trademark conveyed to Sunstar are governed by the License Agreement only and are limited to exclusive use of specific, registered

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[3] The term *senyo-shiyoken* also appears in similar context in the Basic Sale Agreement:

> [Sunstar] shall be solely responsible, at its own cost and expense, for registering the exclusive license (Senyo-Shiyoken) under the License Agreement with the Patent Office in Japan during the term of the Trust.

(Basic Sale Agmt. § 6.1, at 6) and in the Trust Agreement:

> [Sunstar] shall be solely responsible, at its own cost and expense, for registering the exclusive license (*Senyo-Shiyoken*) under the License Agreement with the Patent Office in Japan during the term of this Agreement. . . . Trustee shall execute and deposit in the Account with the Bank all such documents as reasonably requested of Trustee by AS in connection with the registrations of the assignment of the Trademark from [Sunstar] to Trustee and of [Sunstar's] exclusive license (*Senyo Shiyoken*) under the License Agreement.

(Trust Agmt., para. 2, at 3), which agreements along with the License Agreement form the 1980 Agreements at issue in the instant dispute.

marks. Sunstar argues that registration of a license as *senyo-shiyoken* with the JPO expands a licensee's rights to include the full range of use rights normally possessed by the owner of a registered trademark under Japanese law. By their recent motions, Alberto and Bank One ask this Court to determine the meaning of the term *senyo-shiyoken* as a matter of law.

This is not the first time this Court has been asked to determine this issue. When confronted with this very issue in considering the parties' motions for summary judgment, Judge Lindberg ruled: (1) "Illinois law controls the basic contractual interpretation of the 1980 Agreements"; (2) the term "*senyo-shiyoken* is in the License Agreement for a reason"; (3) "a question of fact . . . exists as to what the parties intended in the License Agreement – whether the full range of use-rights inherent in the listed trademark registrations were licensed to Sunstar, or the specific marks only"; and (4) "a question of fact still exists as to whether the 1999 Mark falls within the range of marks defined by Japanese trademark law as being encompassed within the use-rights under those registrations." Summ. J. Order (Nov. 6, 2002), at 10 ("Nov. 6, 2002 Order").

As much as the Court would like to put this issue to rest once and for all, the Court declines Movants' request to define the term *senyo-shiyoken* as a matter of law (*see infra*).

DISCUSSION

The motions pending before this Court require resolution of the following issues: (1) whether, as a matter of law, this Court must determine what rights, if any, registration of an exclusive license as a *senyo-shiyoken* with the JPO gives the licensee beyond those stated in the License Agreement; (2) whether the Court will allow Japanese trademark law experts to testify to the jury; and (3) whether the Court will allow Alberto and Bank One to file responsive non-legal expert reports and setting dates for Movants to file responsive expert reports.

I. Motion for Determination of Japanese Law

In their Motion for Determination of Japanese Law Movants purportedly request this Court to determine what a *senyo-shiyoken* license is under Japanese trademark law and what rights, if any, registration of an exclusive license as *a senyo-shiyoken* with the JPO gives the licensee beyond those stated in the License Agreement. We declines [sic] to do so. Instead, we conclude that the pivotal question is not what Japanese law provides for, but rather what rights in the Licensed Trademarks Alberto intended to convey to Sunstar by inclusion of the term *senyo-shiyoken* in the License Agreement. We hold that, because the term *senyo-shiyoken* renders the License Agreement ambiguous and that theparties' [sic] intent at the time they entered into

the License Agreement is a crucial question of fact to be determined by the jury at trial.

It is well-established under Illinois law that a contract must be interpreted to give effect to all terms of the contract. *LaSalle Nat'l Trust, N.A., U/T 116555 v. ECM Motor Co.*, 76 F.3d 140, 144 (7th Cir. 1995) (interpreting Illinois law); *see Ill. State Toll Highway Auth. v. Gust K. Newberg, Inc.*, 531 N.E.2d 982, 987 (Ill. App. Ct. 1988), *appeal denied* 537 N.E.2d 809 (Ill. 1989). Moreover, the court must "give effect to the intention of the parties" at the time they entered into the agreement. *LaSalle Nat'l Trust*, 76 F.3d at 144; *see In re Doyle*, 581 N.E.2d 669, 676 (Ill. 1991). The court may declare the meaning of an unambiguous contract as a matter of law. *N. Shore Gas Co. v. Salomon, Inc.*, 152 F.3d 642, 652 (7th Cir. 1998) (interpreting Illinois law); *LaSalle Nat'l Trust*, 76 F.3d at 144-45; *see Farm Credit Bank of St. Louis v. Whitlock*, 581 N.E.2d 664, 667 (Ill. 1991). If the terms of the contract are ambiguous, however, interpretation of the contract becomes a question to be determined by the trier of fact. *LaSalle Nat'l Trust*, 76 F.3d at 145; *see Farm Credit Bank of St. Louis*, 581 N.E.2d at 667.

The threshold question of whether or not a contract is ambiguous is a matter of law. *Kaplan v. Shure Bros.*, 266 F.3d 598, 604-05 (7th Cir. 2001) (interpreting Illinois law); *see Farm Credit Bank of St. Louis*, 581 N.E. 2d at 667. A court will not find ambiguity where the terms of a contract are clear. *Kaplan*, 266 F.3d at 605; *see In re Estate of Powless*,

734 N.E.2d 111, 116 (Ill. App. Ct. 2000). A court may, however, find ambiguity if the terms of a contract are "reasonably susceptible to different constructions." *Kaplan*, 266 F.3d at 605; *see Allied Asphalt Paving Co. v. Fill. of Hillside*, 731 N.E.2d 425, 429 (Ill. App. Ct. 2000); *Spectramed v. Gould*, 710 N.E.2d 1, 7 (Ill. App. Ct. 1998). Applying the above principles and limiting its evaluation to the four corners of the License Agreement, this Court finds the term *senyo shiyoken* renders the Agreement ambiguous.

In this case, the term *senyo-shiyoken* appears in the License Agreement in only one place:

> LICENSOR agrees to cause said exclusive license (*Senyo-Shiyoken*) to be registered at the Japanese Patent Office at the cost and expense of LICENSEE.

(License Agmt., para. I, at 2.) Within the four corners of the License Agreement, the parties failed to define *senyo-shiyoken*. Further, although the term *senyo-shiyoken* appears in the Basic Sale Agreement:

> [Sunstar] shall be solely responsible, at its own cost and expense, for registering the exclusive license (Senyo-Shiyoken) under the License Agreement with the Patent Office in Japan during the term of the Trust.

(Basic Sale Agmt. § 6.1, at 6) and in the Trust Agreement:

> [Sunstar] shall be solely responsible, at its own cost and expense, for registering the exclusive license (*Senyo-Shiyoken*) under the

> License Agreement with the Patent Office in Japan during the term of this Agreement. . . . Trustee shall execute and deposit in the Account with the Bank all such documents as reasonably requested of Trustee by AS in connection with the registrations of the assignment of the Trademark from [Sunstar] to Trustee and of [Sunstar's] exclusive license (*Senyo-Shiyoken*) under the License Agreement.

(Trust Agmt., para. 2, at 3), which agreements along with the License Agreement form the 1980 Agreements at issue in the instant dispute, the term appears only in context, without definition or indication as to the meaning assigned to it by the parties. This Court is unable to derive meaning merely from the term's use in context.

In an attempt to affix meaning to the term *senyo-shiyoken*, the parties point the Court to the Japanese Trademark Act and thrust upon the Court numerous expert reports, declarations, and deposition transcripts purporting to clarify the term's meaning. Yet, even the experts disagree on the scope of the rights granted by a *senyo-shiyoken* license under Japanese law, *i.e.*, whether the term conveys to a licensee the full range of use rights inherent in the registered trademarks under Japanese law or whether a licensee's rights are limited to exclusive use of specific, registered marks only. Clearly, then, the term is ambiguous and reasonably susceptible to different constructions. Therefore, the parties' intent as to the meaning of the term *senyo-shiyoken* as used

in the License Agreement is an issue to be determined by the jury at trial.

For the foregoing reasons, Movants' Motion for Determination of Japanese Law is denied.

II. Motion for Determination of Responsive Expert Report Dates and Exclusion of Law Expert Testimony from Trial.

By these motions, Movants request this Court to 1) exclude experts on Japanese trademark law from testifying before the jury; 2) allow Alberto and Bank One to submit expert reports in response to Sunstar's non-legal expert report of Keith Reams; and 3) set dates by which responsive expert reports are due.

A. Motion to Exclude Law Expert Testimony From Trial.

In their Motion to Exclude Law Expert Testimony from Trial, Movants request this Court to exclude experts on Japanese trademark law from testifying before the jury. For the following reasons, Movants' motion is denied.

Once the court has found a contract ambiguous, the parties may introduce extrinsic evidence in an attempt to clarify the true meaning of the contract. *Lumpkin v. Envirodyne Indus.*, 933 F.2d 449, 456 (7th Cir. 1991); *see Nerone v. Boehler*, 340 N.E.2d 534, 536-37 (Ill. App. Ct. 1976). If the extrinsic evidence in undisputed, "then the interpretation of the contract

remains a question of law" for determination by the court. *Id.* If the extrinsic evidence is disputed, however, then that evidence is admissible to the fact finder, and the meaning of the contract becomes an issue for determination at trial. *LaSalle Nat'l Bank v. Gen. Mills Rest. Group*, 854 F.2d 1050, 1052 (7th Cir. 1988) (interpreting Illinois law); *see Nerone*, 340 N.E.2d at 536-37.

As discussed above, this Court finds that the term *senyo-shiyoken* renders the License Agreement ambiguous. Further, the parties' experts do not agree on the scope of the rights conveyed to a licensee by registration of a trademark with the JPO as a *senyo-shiyoken* license. Thus, the jury in this case may consider extrinsic evidence as to the scope of rights under Japanese law that a party may have intended to convey by inclusion of the term *senyo-shiyoken* in the License Agreement.

Movants argue that "the jury is not the appropriate body to determine issues of foreign law," therefore, this Court should bar experts in Japanese trademark law from testifying before the jury. Fed. R. Civ. P. 44.1; 1996 Advisory Committee Notes to Rule 44.1; *cf. Pittway Corp. v. U.S.*, 88 F.3d 501, 504 (7th Cir. 1996) (determining when a distribution is declared under governing French corporate law statute). By pursuing this line of argument, Movants overlook the fact that the License Agreement does not overtly point toward a foreign statute, nor does it expressly incorporate Japanese law, but merely includes a foreign legal term in its text. Thus, the critical issue

is not what Japanese law is or was, but rather what the parties intended to express when they used this japanese phrase in an English language License Agreement for use of a trademark in Japan. This is a question of fact; and, in this case, the question of fact involves inquiry into what the parties intended by including a Japanese legal term in their otherwise English language contract. This, therefore, is not a matter of determining substantive issues of foreign law – *i.e.* interpreting and applying a foreign statute – but is, rather, a matter of ascertaining the meaning assigned to a foreign legal term by the parties at the time they entered into a contract.

Fed. R. Evid. 702 allows expert testimony "[i]f scientific, technical or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue . . . ," Here, the rights inherent in a trademark registered as *senyo-shiyoken* under Japanese trademark law at the time the parties entered into the License Agreement is relevant to, but not determinative of, the parties' intent. Testimony by experts in Japanese trademark law will constitute but one piece of evidence as to what the parties may have intended by inclusion of the term *senyo-shiyoken* as a parenthetical to the phrase "exclusive license" in the License Agreement. Any reference to or interpretation of the Japanese Trademark Act by the experts, although clearly helpful to the jury in determining what the parties could reasonably have intended, is merely circumstantial evidence as to the bundle of use rights the

parties may have intended to assume or convey at the time they incorporated the term into their agreement. Such testimony is in no way determinative of the substantive law governing this case – the law of contracts under Illinois law – nor is it a prohibited expert opinion on ultimate issues of law. *See Islamic Republic of Iran Broadcasting v. Sotheby Parkee Bernet, Inc.*, 839 F.2d 780, 782 (U.S. App. D.C. 1988) (upholding district court's decision to allow Iranian law expert describing general policies of property confiscation prevailing in Iran at time of act giving rise to property dispute); *Nieves-Villanueva v. Soto-Rivera,* 133 F.2d 92, 99 (1st Cir. 1997) (finding Puerto Rican law expert testimony as to normal personnel practices under Puerto Rican law unobjectionable). Moreover, testimony by Japanese legal experts likely will be necessary to assist the fact finder in understanding the different constructions available to the term *senyo-shiyoken* under Japanese trademark law at the time the parties entered into the License Agreement. Obviously, if either party claims to have intended a meaning that bears no relationship to any of the available constructions, then the trier of fact could reasonably conclude that such a meaning is unreasonable. On the other hand, however, a party claiming to have intended a package of use rights consistent with all of the different constructions available for the term *senyo shiyoken* will most likely be much more believable. The important distinction is that the trier of fact will not be asked nor permitted to determine substantive issues of foreign law. Rather, it will be for the trier of fact to determine the

intent of the parties with the expert testimony as to the different available constructions of the foreign legal terminology being used solely to aid the trier of fact in determining the reasonableness of the positions of the parties as to their true intent. Once the intent of the parties is determined, then the jury can proceed to determine whether or not the various commercial acts violated, not the Japanese law of *senyo-shiyoken*, but the trademark use rights to which the parties agreed in their contract.

For the foregoing reasons, this Court denies Movants' Motion for Exclusion of Law Expert Testimony from Trial.

B. Motion For Determination of Responsive Expert Report Dates.

Upon review of the transcripts detailing the events surrounding the parties' filing of expert reports, this Court finds there was some confusion on behalf of the parties as to the cut-off dates for filing responsive reports. Therefore, with respect to Movants' Motion for Determination of Responsive Expert Report Dates, this Court sets the following dates by which responsive legal and non-legal expert reports and depositions are due:

1) Alberto and Bank One may submit expert reports in response to the non-legal expert report of Keith Reams within 14 days of this order;

2) non-legal experts must be deposed within 28 days of this order;

3) Alberto and Bank One may submit responsive Japanese law expert reports within 14 days of this order;

4) Japanese law experts must be deposed within 28 days of this order. Failure to comply with this Order will result in this Court excluding Alberto and Bank One's responsive legal and non-legal expert testimony from trial. These dates are firm; no extensions will be granted.

CONCLUSION

For the foregoing reasons, the Court denies Movants' Motion for Determination of Japanese Law [#61-1] and grants in part and denies in part Movants' Motion for Determination of Responsive Expert Report Dates and Exclusion of Law Expert Testimony from Trial [#62-1].

So Ordered. **Entered: /s/** Ronald A. Guzman
Ronald A. Guzman
United States Judge

Dated: September 29, 2003

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

Sunstar, Inc., Plaintiff, -vs.- Alberto-Culver Company, a Delaware corporation, and Bank One Corporation f/k/a First National Bank of Chicago, Defendants.	)	No. 01 C 0736 Senior Judge George W. Lindberg

MEMORANDUM AND ORDER

(Filed Jan. 16, 2002)

Pursuant to Rule 12 of the Federal Rules of Civil Procedure, Defendant Alberto-Culver Company ("Alberto") moves to dismiss Counts VIII through XII and Count XIV of Plaintiff Sunstar, Inc.'s ("Sunstar") Amended Complaint for lack of subject matter jurisdiction and for failing to state claims upon which relief can be granted. For the reasons stated below, Defendant's motion to dismiss is granted in part and denied in part.

BACKGROUND

About thirty-five years ago, Sunstar and Alberto entered into an joint-venture known as Alberto-Sunstar

to market hair care products in Japan under various trademarks that incorporate the term "VO5" (the Japanese VO5 Trademarks"). On February 27, 1980, Sunstar purchased the Japanese VO5 Trademarks from Alberto for $9,250,000. In the Basic Sale Agreement, Alberto conveyed to Sunstar all right, title and interest in and to the Japanese VO5 Trademarks.

At the same time that the Basic Sale Agreement was executed, Sunstar transferred the Japanese VO5 Trademarks to Bank One and entered into a trust agreement with Bank One and Alberto under which Bank One agreed to hold the Japanese VO5 Trademarks in trust for the benefit of Sunstar (the "Trust Agreement"). The stated purpose of the trust was "to secure the performance and observance of certain undertakings and covenants made by the parties herein and in the [Trust] Agreement." Sunstar alleges that is the sole settlor and sole beneficiary identified in the trust, and that Alberto had no present or future beneficial interest in the trust.

Concurrently, Sunstar and Bank One executed a License Agreement in which Bank One as Licensor granted to Sunstar, as sole beneficial owner of the Japanese VO5 Trademarks, the exclusive right to manufacture, use, sell and offer for sale in Japan products bearing the Japanese VO5 Trademarks. These three agreements (the Basic Agreement, Trust Agreement, and License Agreement) (the "1980 Agreements") include provisions that Sunstar could be stripped of its ownership and right to use the

Japanese VO5 Trademarks under certain circumstances, including if it failed to comply with certain contractual provisions, or if it became insolvent or bankrupt, in which case its trademark rights would be assigned to Alberto.

Through the 1980s and early 1990s Sunstar enjoyed successful sales of its VO5 products, but in the 1990s, Sunstar's sales of VO5 products began to falter. On the basis of market research conducted in Japan, Sunstar determined that it needed to modernize the Japanese VO5 trademark in order to rebuild and strengthen the market for VO5 products in Japan and ensure that the image of its products reflected changing consumer preferences in Japan. Sunstar updated the appearance of the trademark (the "Modernized VO5 Trademark") but otherwise did not materially alter the commercial impression of the Japanese VO5 Trademarks.

Sunstar notified Bank One on March 26, 1999 that it would be using the Modernized Japanese VO5 Trademark because of market conditions in Japan. By letter dated May 5, 1999 Bank One objected to Sunstar's use of the Modernized Japanese VO5 Trademark without providing reasoned grounds for its objections. Bank One threatened suspension of Sunstar's right to use the Japanese VO5 Trademarks because Alberto had not consented to Sunstar's Modernized Japanese VO5 Trademark. Bank One gave Sunstar one month to cease using the Modernized Japanese VO5 Trademark, or stated that Sunstar would face suspension of its use of the

Japanese VO5 Trademarks. Sunstar alleges that Bank One engaged in private communications with Alberto regarding Sunstar's use of the Modernized Japanese VO5 Trademarks without disclosing such communications to Sunstar.

In a letter dated May 11, 1999, Sunstar requested Bank One furnish "reasonable grounds" for the threatened suspension as required by the License Agreement. By letter dated May 18, 1999, Bank One, through its counsel, responded and provided its alleged basis for its threatened suspension. By letter dated May 27, 1999, Sunstar, through its counsel, stated the reasons why Sunstar's use of the Modernized Japanese VO5 Trademarks was neither contrary to the terms nor prohibited by the License Agreement. Sunstar's counsel proposed that Bank One and Sunstar engage in a discussion to resolve the matter.

In a letter dated June 28, 1999, Bank One, through its counsel, stated it would suspend the License Agreement. Bank One refused to engage in a discussion with Sunstar. In a letter dated July 1, 1999 to Bank One's counsel, Sunstar, through its counsel, reiterated its position that Bank One had not provided any reasonable ground for the suspension and its good faith request for information concerning its private communications with Alberto, and suggested further discussions to resolve the matter. Neither Sunstar, nor its counsel, has received any response to this July 1, 1999 letter, nor any subsequent communication from Bank One.

In the Amended Complaint, Sunstar added claims challenging the legality of the trust arrangement that was overlaid upon the 1980 sale of the Japanese VO5 Trademarks to Sunstar. Sunstar's new claims seek to declare that any provision of the 1980 Agreements that purport to authorize the Japanese VO5 Trademarks being taken from Sunstar and given to Alberto are illegal and contractually unenforceable (Count VIII). Sunstar also seeks to have declared that Alberto has no reversionary or other beneficial interest under the trust (Count IX); that Sunstar as sole settler and sole beneficiary of the trust can terminate the trust at will at any time (Count X); and that even if Alberto were to have any interest under the trust, such interest is illegal or too negligible to stand in the way of terminating the trust (Count XI). Alternatively, Sunstar seeks to have the terms of the trust modified in light of the changed market circumstances to accommodate Sunstar's use of the Modernized Japanese VO5 Trademark (Count XII). Additionally, Sunstar seeks to remove and replace Bank One as trustee on account of its breach of the duties of impartiality and nondelegation (Count XIII), and seeks to claim against Bank One for waste of trust assets (Count XIV). Defendants have now moved to dismiss all the new claims added in Sunstar's Amended Complaint except for Count XIII.

DISCUSSION

I. Rule 12(b)(6) Standard

In order to have a claim dismissed under Rule 12(b)(6) the moving party must show that plaintiff's complaint fails "to state a claim upon which relief can be granted." Fed.R.Civ.P. (12)(b)(6). The purpose of a motion to dismiss is to test the sufficiency of a complaint, not its merits. *Triad Associates, Inc. v. Chicago Housing Authority,* 892 F.2d 583, 586 (7th Cir. 1989). A complaint should not be dismissed for failure to state a claim "unless it appears beyond a reasonable doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson,* 355 U.S. 41, 45-46 (1957). In determining this, the court accepts as true all well-pleaded factual allegations and draws all reasonable inferences in favor of the plaintiff. *Chaney v. Suburban Bus Div. of Reg'l Transp. Auth.,* 52 F. 3d 623, 626-7 (7th Cir. 1995). In order to withstand a motion to dismiss, a complaint must allege facts sufficiently setting forth the essential elements of the cause of action. *Gray v. County of Dane,* 854 F. 2d 179, 182 (7th Cir. 1988).

a. Count VIII

In Count VIII, Sunstar calls for a declaratory judgment that "any provisions of the Basic Sale Agreement, the Trust Agreement and the License Agreement which purport to call for the forfeiture of the purchased Japanese VO5 Trademarks back to

Alberto from Sunstar are illegal, void, unenforceable and of no effect; that the use of the form of a trust to effectuate such purposes constitutes an illegal trust; and that the purported trust structure should be disregarded in these respects."

These provisions in the 1980 Agreements are not penalty provisions, as Sunstar refers to them. Sunstar's reliance on *Raffel v. Medallion Kitchens of Minn.*, 139 F. 3d 1142 (7th Cir. 1998), is misplaced. The court in *Raffel* finds the penalty provision illegal because it assured the lessor of receiving more than his actual damages, and in an amount that was not related to the gravity of the breach. Such is not the case here, where the provision does not provide for a penalty but a forfeiture of the trademark if certain conditions occur; this provision does not entitle Albert to more than his actual damages if it is triggered.

Illinois courts recognize the legality of forfeiture provisions in contracts. "Courts of equity recognize the right to competent parties to incorporate forfeiture provisions in their contracts and will give effect to such clauses whenever declared in the manner prescribed by contract." *Ferrara v. Collins*, 457 N.E. 3d 109 (Ill. App. 1983), *citing MacDonald v. Bartlett* 155 N.E. 477 (Ill. 1927); *Eade v. Brownlee* 193 N.E.2d 786 (Ill. 1963); *Allabastro v. Wheaton National Bank* 295 N.E.2d 1212 (Ill. App. 1979). As summarized by another Illinois court, "Courts of equity recognize the right of parties to incorporate forfeiture provisions in contracts. However, equity will only permit a forfeiture where the right is clearly

and unequivocally shown. If the forfeiture was properly declared, no subsequent performance, or offer to perform, no matter how strictly in compliance with the terms of the contract, will relieve the offending party from a forfeiture." *Kingsley v. Roeder,* 117 N.E.2d 82 (Ill. 1951).

Paragraph V of the License Agreements by and between Bank One, the licensor, and Sunstar, the licensee, states:

> In the event that any act of LICENSEE constitutes in the opinion of LICENSOR based upon reasonable ground, a danger to the value or validity of LICENSOR's ownership and title in Licensed Trademarks, LICENSOR may, in lieu of or in addition to any other remedy available to it, give notice to LICENSEE setting forth the danger created by such act and, unless such danger is eliminated by LICENSEE within one month after the giving of said notice, forthwith suspend the right of LICENSEE to use such Licensed Trademarks as are subject to such danger. Such suspension shall continue until LICENSOR has reasonably determined that the danger to the value or validity of, or to its exclusive ownership in, the relevant Licensed Trademarks no longer exists.

Paragraph VIII provides that in the event of the failure of Sunstar to change its corporate name, or the insolvency or bankruptcy of Sunstar, Bank One will have the right to terminate the License Agreement.

Sunstar and Bank One are competent parties, and these forfeiture and termination provisions are clearly and unequivocally expressed in the 1980 Agreements. It is a question of fact whether Sunstar's actions constitute a trigger of these provisions, but there is no question of law as to whether this forfeiture provision in the License Agreement is illegal – it is not.

Moreover, the existence of this provision does not constitute an illegal trust as Sunstar argues. Performance of the trust or the provisions in question does not involve the commission of a criminal or tortious act by the trustee; enforcement of the trust does not induce the commission of illegal acts or acts against public policy. Restatement (Second) of Trusts §§ 61-62.

Accordingly, Count VIII is dismissed with prejudice.

b. Count IX

In Count IX, Sunstar seeks a declaratory judgment that Alberto has no reversionary or other beneficial interest in the trust, and that Sunstar holds full legal and beneficial title to the Japanese VO5 Trademarks. The Trust Agreement incorporates by reference the Basic Sale Agreement and the License Agreement. With the 1980 Agreements Alberto transferred the Japanese VO5 Trademarks to Sunstar,

subject to several conditions, including the simultaneous creation of the Trust, and Sunstar's assignment of the Trademarks to the trustee, Bank One. As a result, the Basic Sale Agreement incorporated by reference the terms of the Trust, so that the sale to Sunstar which was enacted in the Basic Sale Agreement created a reversion back to Alberto if certain conditions were triggered. Therefore, Alberto has a contingent interest in the Japanese VO5 Trademarks. A contingent remainder in trust property is considered a beneficial interest. See *Botzum v. Havana Nat'l Bank,* 12 N.E.2d 203, 543 (Ill. 1937). Therefore, this count is dismissed with prejudice.

c. Count X and Count XI

In Count X, Sunstar seeks an order declaring that as sole settlor and sole beneficiary of the trust, Sunstar may terminate the trust at any time As Alberto also has a beneficial interest in the Trust, Sunstar does not have the right to terminate the trust at any time. A settlor of a trust cannot terminate a trust without the consent of all of the trust beneficiaries. *See Botzum,* 12 N.E.2d 203 (Ill. 1937); *see also Anderson v. Williams,* 104 N.E. 659, 661 (Ill. 1914)

In Count XI, Sunstar seeks an order declaring that the trust is terminated even if Alberto were deemed to have any kind of beneficial interest under the trust. Sunstar states that the possibility that Alberto's purported beneficial interest under the trust

might ever vest is sufficiently negligible that the Court may terminate the trust at Sunstar's insistence without Alberto's consent, and that the only purposes the trust structure purports to further are illegal and unenforceable contractual provisions. As this Court stated earlier, Sunstar fails to demonstrate that the trust's purposes are illegal or against public policy. In addition, Alberto's interest is not negligible. If the conditions in the Basic Sale Agreement and License Agreement (which are incorporated by reference into the Trust Agreement) are triggered, then the Japanese Trademarks revert to Alberto. Even if Alberto's interest were negligible, this Court could not terminate the trust without Alberto's consent. A settlor of a trust cannot terminate a trust without the consent of all beneficiaries. *See Fenske v, Equitable Life Assur. Soc.*, 91 N.E. 2d 465, 467 (Ill. App. 1950). Further, that consent is required even from those beneficiaries who only have a contingent remainder that may not ever vest. *Id.*

Therefore, Count X and Count XI are dismissed with prejudice.

d. Count XII

In Count XII, Sunstar seeks an order, regardless of Alberto's consent, terminating the trust, or reforming the trust "to eliminate any provisions that might purport to bar or constrain Sunstar from modernizing the Trademarks in response to current market conditions." Sunstar alleges that the 1980

Agreements "intended main object was to permit Sunstar to enjoy and maximize the full value inherent in the Japanese VO5 Trademarks," and that to the extent these agreements' provisions "purport to bar or constrain Sunstar from modernizing the Trademarks in response to current market conditions, those provisions are frustrating, defeating and substantially impairing the accomplishment of the intended purpose of the trust, have rendered the trust property insufficiently productive to accomplish its intended purpose, and impose unreasonable loss, cost, burden and expense upon Sunstar." Alberto argues that this is not the intended purpose of the Trust Agreement and points to the fifth "Whereas" clause in the Trust Agreement which states that the purpose of the Trust (as well as the assignment of the trademark and the License Agreement) "is to secure performance and observance of certain undertakings and covenants made by the parties herein and in the [Trust] Agreement."

The court of equity possesses the power to alter the provisions of a trust where, due to circumstances not known to the settlor or anticipated by him, a change is necessary or highly convenient to assure the accomplishment of the settlor's fundamental purposes. Bogert, "*Trusts and Trustees* (6th. edit), § 146; Restatement (Second) of Trusts §§ 166-167. This Court finds that the fundamental purpose of the Trust is to secure the performance and observance of undertakings and covenants made by the parties to the Trust Agreement, and not to allow Sunstar to

maximize the full inherent value of the Japanese VO5 Trademarks. Therefore even if market conditions have changed, and such conditions were unforeseeable, which are indeed factual questions, the Court cannot reform the trust because Sunstar has not alleged that such reformation is needed to ensure that the performance and observance of undertakings and covenants made by the parties – the stated purpose of the Trust – is secured.

Accordingly, the Court dismisses Count XII with prejudice.

e. Count XIV

In Count XIV, the final count that the Defendant Alberto seeks to dismiss, Sunstar alleges that Bank One's activities constitute waste of trust assets in violation of the common law of the State of Illinois. By incorporating the allegations in Count XIII, Sunstar has sufficiently plead Count XIV so as to withstand a motion to dismiss.

Alberto's motion to dismiss Count XIV is denied.

ORDERED:

Defendant Alberto's motion to dismiss is granted in part and denied in part. Counts VIII through Count XII are dismissed with prejudice. Defendant's motion to dismiss Count XIV denied.

ENTER:

/s/ George W. Lindberg
GEORGE W. LINDBERG
Senior U.S. District Judge

Jan 15 2002
DATED:

United States Court of Appeals
For the Seventh Circuit
Chicago, Illinois 60604

December 14, 2009

Before

RICHARD A. POSNER, *Circuit Judge*

DANIEL A. MANION, *Circuit Judge*

TERENCE T. EVANS, *Circuit Judge*

Nos. 07-3288, 07-3289, 08-3835, 08-3836, 08-3931, 08-3936

SUNSTAR, INC.,
Plaintiff-Appellant,
Defendant-Appellant/
Cross-Appellee,

v.

ALBERTO-CULVER COMPANY,
Defendant-Appellee,
Plaintiff-Appellee/
Cross-Appellant,

and

BANK ONE CORPORATION,
Defendant-Appellee.

KANEDA, KOSAN, KABUSHIKI KAISHA,
Defendant-Appellant/
Cross-Appellee.

Appeals from the United States District Court for the Northern District of Illinois, Eastern Division.

Nos. 01 C 736, 01 CV 5825

Ronald A. Guzman, *Judge.*

ORDER

(Filed Dec. 14, 2009)

On November 19, 2009, defendant-appellee Alberto Culver Company, and defendant-appellee Bank One Corporation, filed separate petitions for rehearing and petitions for rehearing *en banc*. All the judges on the original panel have voted to deny the petitions, and none of the active judges has requested a vote on the petitions for rehearing *en banc** The petitions are therefore DENIED.

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* Circuit Judge Ilana Diamond Rovner did not participate in the consideration of this petition for rehearing *en banc*.

USCS Fed Rules Civ Proc R 51

Rule 51. Instructions to the Jury; Objections; Preserving a Claim of Error

(a) Requests

(1) *Before or at the Close of the Evidence.* At the close of the evidence or at any earlier reasonable time that the court orders, a party may file and furnish to every other party written requests for the jury instructions it wants the court to give.

(2) *After the Close of the Evidence.* At the close of the evidence, a party may:

(A) file requests for instructions on issues that could not reasonably have been anticipated by an earlier time that the court set for requests; and

(B) with the court's permission, file untimely requests for instructions on any issue.

(b) Instructions. The court:

(1) must inform the parties of its proposed instructions and proposed action on the requests before instructing the jury and before final jury arguments;

(2) must give the parties an opportunity to object on the record and out of the jury's hearing before the instructions and arguments are delivered; and

(3) may instruct the jury at any time before the jury is discharged.

(c) Objections.

(1) *How to Make.* A party who objects to an instruction or the failure to give an instruction must do so on the record, stating distinctly the matter objected to and the grounds for the objection.

(2) *When to Make.* An objection is timely if:

(A) a party objects at the opportunity provided under Rule 51(b)(2); or

(B) a party was not informed of an instruction or action on a request before that opportunity to object, and the party objects promptly after learning that the instruction or request will be, or has been, given or refused.

(d) Assigning Error; Plain Error.

(1) *Assigning Error.* A party may assign an error:

(A) an error in an instruction actually given, if that paty properly objected; or

(B) a failure to give an instruction, if that party properly requested it and – unless the court rejected the request in a definitive ruling on the record – also properly objected.

(2) *Plain Error.* A court may consider a plain error in the instructions that has not been preserved as required by Rule 51(d)(1) if the error affects substantial rights.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SUNSTAR, INC., Plaintiff, -vs- ALBERTO-CULVER COMPANY, et al., Defendants.	)	Docket No. 01 C 736 Docket No. 01 C 5825
ALBERTO-CULVER COMPANY, a Delaware corporation, Counter-Claimant, -vs- SUNSTAR, INC., a Japaneses [sic] corporation, et al, Counter-Defendants,	)	Chicago Illinois December 15, 2006 9:15 o'clock a.m.

VOLUME 15
REPORT OF PROCEEDINGS –TRIAL
BEFORE THE HONORABLE
RONALD A. GUZMAN, and a Jury.

APPEARANCES:

For the Plaintiff: CHADBOURNE & PARKE by
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[1924] THE CLERK: 01 C 736, Sunstar, Incorporated versus Alberto-Culver Company, related 01 C 5825, Alberto-Culver versus Sunstar, Incorporated.

THE COURT: Good morning, everyone.

MR. SCHWINGER: Good morning, your Honor.

MR. FOCHLER: Good morning, your Honor.

THE COURT: We received a new question from the jury this morning, first thing. Couldn't have been more than a few minutes after nine. I will read it to you.

"What exclusive right does the senyo-shiyoken [spelled correctly, I might add] license give Sunstar? Please be explicit."

And it's difficult to tell, but there may be an exclamation mark after "please be explicit."

MR. BALBER: Can the answer be: Good question?

THE COURT: Conceivably.

(Laughter.)

THE COURT: I'm open to suggestions, gentlemen and lady.

MR. BALBER: I would suggest that the response is that, you know, that is among the issues for you to decide.

THE COURT: Should I tell them that you have spent the last three weeks trying to explain that to them?

MR. FOCHLER: Yeah, Well, actually, I think it's almost like they're asking a matter-of-law question instead of [1925] just looking at the record. They've got to be on their own in this one.

[MR. BOSTJANCICH]: Your Honor, we did have a jury instruction we proposed on that, of course, you know, what's your view of the case and what they can receive, and you didn't want to give them that. We had an instruction on what senyo-shiyoken rights are according to Japanese statutory law.

MR. BALBER: Little late for that.

THE COURT: And I take it it's an agreed instruction.

MR. FOCHLER: Not exactly. Not exactly, your Honor, no. I think it's the same as yesterday, the way we handled it.

THE COURT: My suggestion is that we give them the same answer that we intended to give them to the question they posed late yesterday, although we could expand on it to make sure that they understand that these questions that they are asking are indeed the questions they are to resolve based upon the evidence they have heard.

MR. FOCHLER: This one is. I'm just responding. I don't think the first one is. There is no issue of registration ownership in the case.

MR. BALBER: I don't think we should be distinguishing between one and the other as to what they should be deciding and not deciding. I mean, these are all issues in the case.

MR. FOCHER: But the Judge said the issue they should be deciding, and I'm saying this goes to the ultimate issue, [1926] practically.

MR. SCHWINGER: The point is that they have all the evidence they're going to get. We're not going to be reopening the evidence at this point so, ultimately, the only thing they can be told is they have all they're going to get and that's what they have to base their decision upon. Right?

THE COURT: Okay.

[MR. BOSTJANCICH]: I thought, though, that it wasn't so much a question of what senyo-shiyoken was but what the parties agreed that it means?

THE COURT: Do you want me to read it to you again?

MR. MANDLY: Well, I thought that was the question that we felt was appropriate for the jury, interpreting the contract and what the parties thought they meant by including the term "senyo-shiyoken." Not what Japanese law meant but what they intended together and what they had agreed together senyo-shiyoken meant.

THE COURT: I think you have just repeated my ruling, yeah, at least my final ruling on the issue.

[MR. BOSTJANCICH]: Right, but then it's a question for the jury – well, you know, that's a question you have to decide from what happened in the courtroom. Well, you know, you weren't – in the courtroom, we weren't telling them exactly what senyo-shiyoken meant.

MR. FOCHLER: As I understand, we're not telling – [1927] We're not even saying that's a question you've got to decide. We're just saying you've got to rely on the record yourself. We're not characterizing their question as one of the issues, if I understood your Honor.

THE COURT: If I answer, as we agreed yesterday, that I instruct them to rely upon their own

recollection of the evidence and decide the case on that basis.

MR. FOCHLER: That's agreeable, your Honor.

THE COURT: I think you're engaging in entirely too fine an analysis of the question. I don't know that the jury is at all likely to be differentiating between the rights that are assigned to a senyo-shiyoken license in Japan based upon Japanese statutory law, Japanese case law, or the rights assigned by the parties in the contract. In fact, I seriously doubt they are differentiating between those three things.

[MR. BOSTJANCICH]: Right.

MR. FOCHLER: Or they know that they exist.

MR. SCHWINGER: And, also, I don't think it's appropriate for any response to essentially take on the function of editing their discussions and say, no, don't think about this, think about something else.

MR. FOCHLER: Yes. That's what they're asking for.

THE COURT: Okay. All right. Let's bring them out.

MS. SMART: Thank you, your Honor.

MR. FOCHLER: Thank you, your Honor.

[1928] (Jury in at 9:25 a.m.)

THE CLERK: Please be seated.

THE COURT: Good morning, Ladies and Gentlemen.

(Chorus by Jury: "Good morning.)

THE COURT: Welcome back.

I have two notes here with several questions. I'll address the two of them jointly because they take the same answer. Those questions are:

"Did Sunstar attempt to or register the 1999 trademark?"

We received that one yesterday just before you folks retired. And the one we received this morning is:

"What exclusive rights does the senyo-shiyoken license give Sunstar? Please be explicit."

In response to both of these, I instruct you to rely upon your own recollection of what the evidence was and decide the case on that basis.

We have for you individual copies of the jury instructions and you will be getting those. You will not, however, be getting individual copies of the verdict forms. There will be only one verdict form, and you are not to write upon that or mark it in any way until you are prepared to enter your verdict.

And the last one is: "The smokers would like to have one to two smoke breaks during the day. Is this possible?"

[1929] The answer is yes, and I will leave it to the discretion of the Court Security Officer to arrange for those breaks at your request.

With that, Ladies and Gentlemen, as I said, welcome back. Continue your deliberations.

THE CLERK: All rise.

(Jury out.)
